



## Why Did Bombardier, Inc. Jump 15% on Friday?

### Description

Shares of **Bombardier, Inc.** ([TSX:BBD.B](#)) jumped by over 15% in the closing hour of trading on Friday due to news that **Boeing Co** ([NYSE:BA](#)) had lost its trade case against Bombardier.

Boeing argued to the U.S. International Trade Commission that Bombardier was using illegal trade strategies that were harmful to Boeing's business. Boeing argued that when Bombardier sold planes to **Delta Air Lines Inc.** ([NYSE:DAL](#)), it had priced them so low that no one could have competed.

The U.S. Department of Commerce had [levied a 300% tariff](#) on Bombardier for every new plane that Bombardier shipped. That would have made it impossible for the company to ship the planes, because it would lose so much money per plane. But the U.S. International Trade Commission has disagreed with the Department of Commerce, thus getting rid of the 300% tariff on all CSeries planes that Bombardier sells.

Naturally, this is a big win for the company and should leave investors incredibly excited. But even if it hadn't happened, Bombardier had found a way around the tariff. Airbus SE agreed to buy 50.1% of the CSeries project and move production down to Airbus's Alabama factory. By producing the planes in the United States, Bombardier would have gotten around the tariff anyway. But now it'll be easier to produce planes in Canada and the United States.

The question investors now have to ask is whether this makes the company a buy or not. I continue to have concerns, [many of which I've discussed in the past](#).

Bombardier has suffered from delays for some time now. But the belief was always that the delays were in the aerospace division. The CSeries took longer than expected and went far over budget, but other divisions — mainly the rail division — were still doing fine. At least that's what we all thought.

Unfortunately, that's not true. According to a contract with the Toronto Transit Commission, Bombardier was supposed to deliver 204 new streetcars by 2019, with 148 due by the beginning of this year. So far, Bombardier has only delivered 59. Bombardier argues it can still get the rest delivered, but the Toronto Transmission Commission isn't confident.

Then there's the deal with Metrolinx. Originally, the deal called for 182 LRT vehicles. However, because of consistent delays, Metrolinx was forced to go elsewhere. After many negotiations, there's a new contraction that calls for only 76 vehicles, with the rest coming from one of Bombardier's competitors. This reduces the overall contract value from \$770 million to \$392 million.

If these delays don't get under control, the good news related to Bombardier's CSeries will be overshadowed by the horrible news related to its rail division.

The problem, in my opinion, is that there is no incentive to fix anything. The founding family of Bombardier owns a majority of all voting power through a dual-class share structure. So long as the founding family has that power, there's no way for the average investor like you and me to force change.

Ultimately, my belief is simple: Bombardier is an intriguing company; there's no denying that. But it remains incredibly dysfunctional. And I would rather put money into other stocks that have the shareholders' interests at heart.

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