



Was Bombardier, Inc.'s Deal With Airbus a Mistake Now That Tariffs Have Been Overturned?

Description

Bombardier, Inc. ([TSX:BBD.B](#)) received some great news on Friday, scoring a big win in its fight against **Boeing Co** ([NYSE:BA](#)).

Last year, a bitter battle between the two companies left Bombardier with duties of [nearly ~219% on its jets](#), and that amount would eventually rise to nearly 300%. Boeing alleged that Bombardier was selling aircraft below cost to **Delta Air Lines, Inc.** ([NYSE:DAL](#)) and that it was guilty of dumping.

On Friday, the U.S. International Trade Commission announced that it had sided with Bombardier, saying that the aircraft manufacturer did not harm the industry. After all, Delta pointed out that the very aircraft Boeing was complaining about wasn't even sold by the U.S. manufacturer.

Why Bombardier might not be out of the clear just yet

Bombardier remains concerned that Boeing will raise a new petition, and that this issue may not be over so quickly. Given the protectionist view that the U.S. has taken on trade in the past year, there's certainly no guarantee that the duties will be gone for good.

There's still a lot of uncertainty these days when it comes to trading with the U.S., and with NAFTA talks still ongoing, investors shouldn't be celebrating just yet. While Bombardier may have won an unlikely battle, the trade war is likely far from being over.

However, that is also why the Canadian manufacturer is looking to set up an assembly line in Alabama, as that may be its best bet to avoid paying duties down the road. The problem is that has come at a big cost: partnering with Airbus resulted in Bombardier [effectively giving away half of its stake in the CSeries for nothing](#).

With the tariffs gone, that effectively eliminates a big advantage that Bombardier had as a result of the partnership with Airbus — being able to produce jets in Alabama. Although that's not the only benefit of the partnership, it was a key one, and the timing of the partnership came not long after the tariffs were announced, making it more than just a little coincidental.

Although the U.S. might be a difficult trading partner today, three years from now, Bombardier and other Canadian companies might be dealing with a very different U.S. president and administration — one that might be a lot friendlier when it comes to trade.

Is Bombardier a buy today?

The stock was up more than 15% on the news on Friday. The problem is that it doesn't solve any problems for Bombardier or make it any more of a buy for investors. With or without tariffs, it's likely that the company could have avoided hefty fees by using Airbus to produce the CSeries jets from within the U.S.

This also does not change the outlook for the company in the long term, as the uncertainty has not gone away and will likely stay there as long as the U.S. government undertakes a protectionist approach to its economy.

However, Bombardier has bigger problems than just tariffs: since 2014, sales have been declining, and the company has posted significant net losses. It is a risky investment, with or without tariffs.

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