



## Will Justin Trudeau Help Bail Out Bombardier, Inc.?

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) may have received US\$1 billion in aid from the Quebec government, but it's clear that more money will be needed.

One possible source will be the federal government, which is soon to be controlled by Justin Trudeau's Liberal Party. Reports indicate that Bombardier has asked for US\$350 million from the federal government, and that Quebec is asking for Ottawa to match its US\$1 billion "investment."

So, how likely is it that Mr. Trudeau will come to the rescue?

### This is not 2009

Back in 2009, Ontario and the federal government invested \$13.7 billion to help keep **General Motors** and Chrysler afloat during the Great Recession. And while only \$10.7 billion was recovered, the decision was generally viewed favourably. So, it's no surprise that Quebec economy minister Jacques Daoust is bringing up GM and Chrysler when making the case for Bombardier.

"We are going to ask them to support the aerospace industry in Quebec the same way they backed the auto industry in Ontario when times were difficult," said Daoust to *Bloomberg News*.

But there are some big differences between Bombardier and the automakers. First of all, no one else was willing to invest in GM. If the company wasn't bailed out, it would have gone under. Furthermore, CEO Rick Wagoner was forced out as part of the process. Meanwhile, Chrysler needed government assistance before it got bought out by Italian automaker **Fiat**.

The situation with Bombardier is completely different. The \$1 billion investment from Quebec comes with no strings attached, allowing the founding family to remain in control. Secondly, the Bombardier bailout is being done to keep the company out of foreign hands, unlike the Chrysler rescue. So, Bombardier is unlikely to transform like GM and Chrysler did.

### It may still happen

Bombardier has roughly 20,000 employees in the province of Quebec alone, as well as a big streetcar plant in Thunder Bay, Ontario. If Mr. Trudeau denies funding for Bombardier, he would be hurting a lot of voters.

And if history is any guide, Mr. Trudeau will still step in. The Canadian government has given Bombardier favourable treatment for decades, and this aid has come in many forms. You shouldn't be surprised if it happens again.

### **What should shareholders be hoping for?**

Bombardier shares reacted very favourably to news of Quebec's assistance. But this may be a bit short-sighted.

After all, if government aid was what Bombardier needed, then the company would have been a big winner for investors. But instead, these aid packages have done nothing more than encourage bad behaviour.

Perhaps Bombardier shareholders should be hoping the federal government stays away. After all, that may force the company to seek foreign money and may force the company to change its ways.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

### **Category**

1. Investing

### **Tags**

1. Editor's Choice

### **Date**

2025/07/22

### **Date Created**

2015/11/04

### **Author**

bensinclair

default watermark