



Bombardier, Inc.: Time for Mr. Trudeau to Step Up

Description

In two previous articles, available [here](#) and [here](#), I argued that **Bombardier, Inc.** ([TSX:BBD.B](#)) should be treated similarly to the way the automakers were treated when they were in trouble.

To sum up these articles, Canada cannot allow Bombardier to go under. The lost jobs would be far too great a cost. Yet at the same time any rescue must involve some sort of reorganization and must not bail out the shareholders nor the senior management.

But there's one thing left out of the equation: timing. Simply put, Justin Trudeau needs to act as soon as possible. We look at why below.

A look back to 2008

As 2008 wore on and the automakers descended further into the abyss, customers became even more turned off. After all, if an automaker went bankrupt, it would not be able to honour its warranties. This created a vicious cycle: losses led to sales declines, leading to more losses, and so on.

So even before the two companies were rescued, the U.S. government guaranteed the warranties of every **General Motors** and Chrysler vehicle sold. President Obama's words were very clear:

"Let me say this as plainly as I can. If you buy a car from Chrysler or General Motors, you will be able to get your car serviced and repaired just like always. Your warranty will be safe. In fact, it will be safer than it has ever been. Because starting today, the United States will stand behind your warranty."

These words came a month before Chrysler declared bankruptcy and two months before GM followed suit. It was an early yet critical step in the whole process.

Some big similarities with Bombardier

As Bombardier faces questions about its solvency, the company is facing the exact same problem that GM and Chrysler faced in 2008.

This is especially problematic for the CSeries, because there's a legitimate concern that it will become an "orphan plane." Airlines don't want to be stuck with orphans, partly because unloading it as a used jet would be difficult.

Former **Air Canada** CEO Pierre Jeannot put it best in an interview with the *Financial Post*:

"I think one of the questions in the mind of some of the buyers is, are they going to make it? They don't want to be left with an orphan, somebody that produces a few airplanes and then abandons the project. I think people are beginning to wonder whether they will have the financial strength to pull the whole thing through."

Time for Mr. Trudeau to step up

Mr. Trudeau needs to make a speech similar to the one made by President Obama. He needs to assure any and all CSeries customers that these planes will get built—even if Bombardier declares bankruptcy. Until he does this, Bombardier's competitors can continue to exploit the company's weakness when selling their aircraft.

In any case, you should expect Mr. Trudeau to come to a decision soon. Time is of the essence.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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