



## Bombardier, Inc. Trains Are Late and Over Budget

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) hasn't exactly been the best stock to invest in over the past few years. The CSeries program, which was once heralded as a proud example of Canada's advancement in manufacturing and engineering, has been subject to cost overruns and multiple delays.

Those cost overruns forced the company to make the hard decisions; it cut both staff and projects. Bombardier even sought a round of financing from investors, the Quebec government, and more recently the Federal government to give the ailing company some breathing room.

If this was where the troubles ended for Bombardier, it would eventually make for a great turnaround story, particularly as **Air Canada** signed a letter of intent for a fairly large order of CSeries jets. But the troubles continued for Bombardier. The company's largest client for the CSeries filed for bankruptcy, and now there's news about delivery troubles within the company's train division.

### The trains are running late in Toronto

Bombardier had a contract with the City of Toronto to replace the TTC's aging fleet of streetcars with newer low-floor light rail vehicles.

A total of 204 of the new light rail vehicles were ordered back in 2009 for a price just shy of \$1 billion. As per the delivery schedule set out in the contract, the TTC should have had 55 of those 204 in service on the streets of Toronto by last December.

When that deadline was not met, the projected delivery was downgraded to 27 vehicles and then downgraded again to 14. Only 16 of these have been delivered so far, and the latest schedule update calls for Bombardier to deliver four streetcars each month starting from April.

As a result of these continued delays, the TTC was forced to ask the city council for an extra \$34 million to refurbish and keep running the aging fleet. Additionally the TTC is now suing Bombardier over the late delivery.

## The trains are also late in London

Toronto commuters shouldn't feel singled out in the current train fiasco as they are not alone. A signaling contract that was initially awarded in 2011 to Bombardier with London Transit also resulted in the Montreal-based company failing to deliver.

The \$670 million project was intended to upgrade the signaling used throughout the London Underground, so more commuters could be accommodated. That contract was terminated in 2013 with Bombardier being paid nearly \$161 million to break the contract.

The signaling project was eventually awarded to a French company, but the project will now be five years late and \$1.7 billion over budget once completed in 2023.

Bombardier remains an extremely risky investment. The company has been prone to delays, cost overruns, and it's been unable to meet a number of delivery schedules. While the company is to be applauded for making attempts to turn around, the risk for investors is too great at the moment.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

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