



Bombardier, Inc. Misses Another Delivery Deadline

Description

Here we go again, **Bombardier, Inc.** ([TSX:BBD.B](#)).

As recently as a few weeks ago, things were really starting to look up for Bombardier. The long-standing saga of the CSeries appeared to finally be over with, as Bombardier secured a respectable number of orders for the new jet, and launch partner Swiss Air Lines International Inc. started commercial operations of the jet, which received raving reviews from both pilots and customers.

On the train front, long-standing delays with Metrolinx and the Toronto Transit Commission (TTC) appeared to finally be over their own hurdles, as Bombardier pledged to shift production lines to ramp up the already delayed delivery schedules.

So what happened?

Bombardier misses another delivery

Bombardier missed yet another delivery window for Toronto's new Eglinton Crosstown LRT line. The test pilot vehicle, which Bombardier was originally set to deliver over two years ago, has been delayed yet again. The latest target date, which was only just established last month, called for the vehicle to be delivered by the end of August.

That time frame passed this week without a delivery to Metrolinx. Despite the delay, Bombardier is confident that the less than punctual delivery schedule will not delay the opening of the \$5.3 billion line that is set to open in 2021.

As for that test-pilot vehicle, Bombardier maintains that it will be ready within the next few weeks and is currently in what the company refers to as the "final phase of manufacturing."

This latest delay comes after Metrolinx issued a default notice to Bombardier for a breach of contract relating to the delivery schedule. The \$770 million contract called for as many as 182 vehicles to be used on a variety of LRT lines that are currently under construction.

Bombardier also has another contract valued at \$1.2 billion with the TTC to replace the city's aging fleet of streetcars. That contract has also been the subject of significant delays. By the end of 2016 Bombardier was supposed to have delivered 109 new streetcars. To date, only 22 vehicles have been delivered. Bombardier claims that all 204 streetcars, which were part of the contract, will be delivered by 2019.

Global jet production to halt and workers let go

Bombardier is also set to halt production of the Global 5000/6000 luxury jet next year. The private luxury jet market is not what it used to be and, as a result, there is more than enough supply to cover the demand for the smaller-jet market. To account for the slowdown, Bombardier is temporarily letting some workers go.

This latest announcement follows a similar cut in production to the LearJet line due to weak demand.

Demand for Bombardier's Learjet division was primarily fueled over the past few years by growth in the booming economies of China, Russia, Latin America, and the Middle East. With those economies cooling off, Bombardier was forced to adjust production.

Bombardier noted that the production and staffing cuts related to the slowdown will not impact the completion of existing customer contract orders.

In my opinion, Bombardier remains a risky investment option at this point in time. While the company has shown improvement in completing the CSeries project, there are still far less risky and better growth prospects on the market right now.

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1. Investing

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1. Editor's Choice

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1. TSX:BBD.B (Bombardier)

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