



## Toronto Considers Legal Action From Ongoing Bombardier, Inc. Delays

### Description

**Bombardier, Inc.** ([TSX:BBD.B](#)) may have more problems coming.

In what has unfortunately become a common occurrence for the beleaguered company, Bombardier has fallen further behind in delivering a fleet of new vehicles on another contract. This time around, it is the streetcars that were promised to the city of Toronto.

The contract is just one of several that directly impact Toronto, which is in the midst of one of the largest transit infrastructure booms in decades.

### Where are the streetcars?

Bombardier's contract with Toronto called for the delivery of 110 new streetcars by the end of 2016 to replace the 40-year-old fleet that is currently in use. To date, Bombardier has delivered 27 new streetcars to Toronto and has plans to deliver another three before the end of the year.

This is not the first time the delivery issue has raised concerns with officials in Toronto. Earlier this year, the delivery sparked a series of comments and commitments made by Bombardier to step up production to meet the 2019 contract end date to the city.

The continued delays have forced Toronto to keep the existing fleet on the road for considerably longer than intended, and, in some cases, members of that older fleet had to undergo considerable repairs at the cost of millions to Toronto taxpayers to continue operations.

Toronto is suing Bombardier in the amount of \$50 million as per the terms of the contract for the added and ongoing costs of the delay.

### What's next for Toronto and Bombardier

Toronto mayor John Tory said to Bombardier this week that the city will be taking additional legal action in light of the ongoing delays. This comes after a Toronto transit report this week indicated that Bombardier may not be in position to meet the terms of an already revised delivery schedule.

That revised schedule called for a ramp up in deliveries over the course of the next two years to meet the required number of vehicles under the \$1.2 billion contract with the city.

Tory indicated that those delays have now hit a tipping point, whereby additional expense will need to be burdened onto the city to account for the ongoing delay.

For Bombardier, this is yet another example of overestimating the capabilities of the company's production facilities to meet contractual obligations. Unfortunately, the problem is more widespread than just this one contract. Bombardier has contracts with several transit agencies across Ontario; many of them are already running significantly behind.

One of those agreements is for another multi-billion-dollar contract in Toronto with Metrolinx to provide vehicles for a new transit line expected to open within the next few years. That deal called for Bombardier to deliver a single test vehicle to Toronto over two years ago, which, as of a few weeks ago, had still not been provided.

Despite the positive changes that were noted over the past year at Bombardier, the company continues to remain a very risky investment. Potential investors should not be wooed by the size and frequency of contracts that Bombardier can sign; they should look at how many completed products the company can deliver to its partners.

At the moment, there are far better investments on the market that investors will be more than pleased with.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. TSX:BBD.B (Bombardier)

## **Category**

1. Investing

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