



Further Delays Could Spell Problems for Bombardier, Inc.

Description

Any hopes **Bombardier, Inc.** ([TSX:BBD.B](#)) had of passing quietly into 2018 with resolutions of meeting deadlines received a dose of reality this month, as the TTC's new acting CEO has begun to draw up alternative plans if Bombardier fails to deliver on the massive \$1 billion streetcar contract that is rapidly approaching its end date.

Bombardier's deal with the TTC

Bombardier signed an agreement with Toronto several years ago that called for the Montreal-based manufacturer to deliver 204 new streetcars to Toronto Transit by the end of 2019. Those streetcars were intended to replace the aging fleet of streetcars that are still in use by the city, many of which are operating well past their intended lifespans.

The problem with the deal, like many other Bombardier deals, is delivering on time. Bombardier has repeatedly blown off key milestone delivery dates and has so far delivered only 59 of the 204 new streetcars promised. The contract had originally called on Bombardier to have delivered 148 new streetcars at the start of 2018.

The prolonged delays have soured relations between Bombardier and Toronto. The 89 streetcars that were intended to be already up and running by now has meant that the city has been forced to refurbish and keep the older fleet running at a significant cost to taxpayers.

While Bombardier is still confident that it can complete delivery on time, there's a growing belief that the company will fail to deliver the remaining streetcars to the city. Part of that belief stems from a series of delivery window misses, and not just from the TTC contract.

Bombardier's Metrolinx contract gets revised

Bombardier also has a contract with Metrolinx, the regional transit authority of the Greater Toronto Area. That contract initially called for 182 new LRT vehicles to be built by Bombardier for several new transit lines under construction in Toronto.

Bombardier fell behind in that schedule too, resulting in a revised contract that calls for just 76 vehicles to be built by Bombardier announced last month, with the remaining vehicles to be built by a Bombardier competitor, France-based Alstom.

The revision lowers the contract from \$770 million to \$392 million and imposes financial penalties on Bombardier if the company fails to deliver.

Irrespective of whether Bombardier can deliver or not, the \$5.3 billion new Crosstown LRT is currently under construction with a scheduled go-live date of 2021. If Bombardier is still unable to deliver the reduced order of vehicles, Alstom could ramp up production to meet the needs of Metrolinx.

What does this mean for Bombardier?

Bombardier has established a superior record of providing transit authorities across the world with their subway, LRT, and heavy rail needs that spans decades, but those contracts have often been plagued with delays and cost overruns; the company has largely escaped being held accountable either in the form of damages or a reduction on scope of the contract.

The Metrolinx deal change is significant, as it finally paints a dire picture for Bombardier of what could happen if the company continues to miss delivery windows.

Those ramifications are even more prevalent in the aerospace sector, where Bombardier's innovative CSeries jet is facing its own delays.

If Bombardier were ever to address this perennial delivery issue, the company would represent a [unique investment opportunity](#) that could pose promising over the long term, but in its current capacity, there are far more promising and [better investment opportunities](#) on the market to consider.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:BBD.B (Bombardier)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Tags

1. Editor's Choice

Date

2025/08/17

Date Created

2018/01/12

Author

dafxentiou

default watermark

default watermark