



Bombardier, Inc. (TSX:BBD.B) Just Did it Again...

Description

Bombardier ([TSX:BBD.B](#)) did it again. The train and plane manufacturer missed yet another deadline to deliver the first six light rail vehicles needed for the rapidly forming Eglinton Crosstown LRT. Cars for the multi-billion-dollar line have been delayed on several occasions, and as per the most recent schedule, Bombardier was to have delivered six of those vehicles by now. For the record, Bombardier has made half-good on its obligations and delivered three of the cars and made yet another promise to get the remaining three delivered within the next few weeks.

How does that old saying go? Fool me once, shame on you; fool me twice, shame on me?

Delays have consequences

To be fair, Bombardier has never really been that great at meeting deadlines. Just about any major infrastructure that comes to mind in recent memory has been delayed by anywhere from a few weeks to several years. While we can certainly appreciate that some delays, such as the longer-than-anticipated certification for the CSeries and then the Global 7500, were out of the hands of Bombardier, those delays have consequences. Not to mention the fiasco that the TTC streetcar deal underwent, as countless older streetcars had to be retrofitted at significant cost by Toronto to remain operational while Bombardier missed deadlines.

Metrolinx is one more recent and relevant example. The Eglinton Crosstown LRT is an urgently needed piece of infrastructure to help a very densely populated area get to where they need to go. Crews have torn up Eglinton for the past few years to make the dedicated right-of-way and tunneling needed for the new line while assuming that Bombardier was diligently working on getting those light-rail cars built to schedule.

Fortunately for investors, taxpayers, and the eventual users of those transit systems, Bombardier is beginning to see what those consequences are, as the company is being increasingly shut out from bidding on lucrative transit systems both home and around the world, and that emerging trend is not going to change until Bombardier can finally deliver on its promises.

Just in the past year, Bombardier lost out on a contract with VIA Rail for new trains, with VIA Rail opting for a German competitor and noting that “on-time delivery” was a top consideration in not choosing Bombardier. Bombardier was also barred from partaking in New York’s lucrative transit needs, with the city effectively halting new train deliveries until existing issues are addressed. Ironically, the head of New York’s Transit Authority is someone Bombardier should recognize — Andy Byford used to head up the TTC.

Both the Swiss Federal Railways and French National Railway Company have cited similar halts on new deliveries until existing issues are resolved. As for Metrolinx, the agency can now impose financial penalties on Bombardier, which, as Phil Verster, chief executive of the agency, noted, “Metrolinx will enforce the contract and the financial penalties will be applied.”

Ouch.

What does this mean for investors?

While Bombardier being barred from new contracts should serve as a wake-up call to the company, the loss of those new business opportunities does not account for all of Bombardier’s business. In fact, the company noted that it has billions in backlogged projects, and there are still ongoing projects from both the train and plane segments of the company.

If Bombardier can make those existing contracts examples of how the company can, in fact, make deadlines, then the future could be a profitable one. Unfortunately, until that day comes, Bombardier may be too risky of an investment for most. Instead, investors should consider any number of other growth opportunities that are available on the market at the moment, many of which also provide income-earning potential.

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Date

2025/07/07

Date Created

2019/02/05

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