

Latest Boeing loss shows drag of pandemic, production problems

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Boeing reported another quarterly loss but said coronavirus vaccines and the return of the 737 MAX to service meant it was at an "inflection point"

Boeing lost money for the sixth consecutive quarter as production issues dragged down revenues, but on Wednesday pointed to signs of an uneven airline industry recovery as Covid-19 vaccines become more widespread.

The aerospace giant has been in crisis mode since March 2019 when regulators grounded the MAX for 20 months following two deadly crashes, but cited the United States and China as especially resilient markets.

"While the global pandemic continues to challenge the overall market environment, we view 2021 as a key inflection point for our industry as vaccine distribution accelerates and we work together across government and industry to help enable a robust recovery," Boeing Chief Executive Dave Calhoun said in a press release.

But Calhoun, during a conference call with Wall Street analysts, warned that other regions of the world were much more uncertain, and cited industry data showing airlines are running at less than 60 percent of global capacity.

"When you look broadly around the world, it's not quite as robust," he said. "And so this year is still going to be a rough and tumble year for most countries around the world, including Europe."

Calhoun reiterated that he does not see a full recovery in the commercial airline market to pre-Covid levels until 2023 or 2024.

The company reported a \$537 million loss in the first quarter, compared with a loss of \$641 million in the year-ago period.

Boeing, which sealed major contracts with airlines for the 737 MAX in the first three months of the year, pointed to lower deliveries of its larger 787 Dreamliner planes as a drag in the quarter.

The company resumed deliveries on the 787 in March following a suspension last fall to address production problems. But lower Dreamliner deliveries were a factor in the 10 percent drop in revenues to

\$15.2 billion compared with the year-ago period.

The results were also dented by one-time costs of \$318 million associated with Boeing's Air Force contract to supply two new VC-25B jets, otherwise known as Air Force One, the US president's plane.

The costs were "largely due to Covid-19 impacts and performance issues at a key supplier," Boeing said.

Latest MAX issue

US regulators at the Federal Aviation Administration approved the MAX to resume service in November, and since then Boeing has delivered more than 85 MAX aircraft and 21 airlines have returned the plane to their fleets, the company said.

But earlier this month, Boeing notified 16 airlines of an electrical problem with the jets, leading to more than 100 MAX planes worldwide to be grounded once again. Boeing has also suspended deliveries of the MAX.

Calhoun said Boeing is "finalizing the plans and documentation" over a process to return those MAX planes to service. After the FAA approves the process "we expect the work to take a few days per airplane," he said.

The removal of those MAX planes from service has had limited impact on Boeing's airline customers thus far because travel levels are still depressed due to Covid-19.

But the head of Southwest Airlines, a key Boeing customer, last week said the problem needs to be resolved quickly because travel will soon pick up significantly.

The single-aisle MAX has been seen as a potential cash cow for airlines in the recovery because of its suitability for short distances.

The MAX also hangs over Boeing's relationship with China, which remains the only major market where regulators have not reauthorized the plane.

Calhoun called for a reset of the US-China trade relationship, saying the Biden administration was "now at a stage" to begin to focus on resuming talks with Beijing and calling China "a big part" of the long-term aviation market.

Calhoun said Boeing now sees China's reauthorization of the MAX "most likely" in the second half of 2021 after previously signaling approval in the first half of the year.

Briefing.com called the shift in the China regulatory timeframe "noteworthy," adding that Boeing's decision not to include an earnings forecast was "a disappointment but not a surprise."

Calhoun, 64, was named CEO in December 2019 as the company reeled from the scandal over the MAX.

Last week, Boeing announced that it raised the retirement age for Calhoun to 70, keeping him in the corner office potentially through 2028.

Shares of Boeing fell 2.9 percent to \$235.46 in early afternoon trading.

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