

Boeing set to face investor scrutiny as problems plague jets

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Boeing has reduced production of the 787, the latest in a series of operational problems limiting the company's recovery.

The aviation industry appears to finally be past the worst of the coronavirus downturn, but Boeing's to-do list remains extensive following a messy start to 2021.

The problems this year include electrical issues with the 737 MAX jet,

fuselage troubles on the 787 and yet another delay in the timeframe for the 777X.

The myriad challenges reflect the changed regulatory climate facing Boeing in the wake of a pair of 737 MAX crashes in 2018 and 2019 that claimed 346 lives and led to a 20-month grounding of the aircraft.

"Unfortunately for Boeing right now, the added scrutiny is justified," said Ken Herbert, an aviation analyst at Canaccord Genuity.

Chief Executive Dave Calhoun on Wednesday will update investors on its latest set of challenges when the company reports second-quarter results.

He will likely discuss the prospects for the 787 Dreamliner following Boeing's move earlier this month to cut production after identifying another issue with the aircraft.

In May, the Federal Aviation Administration (FAA) formally notified Boeing that the 777X would need more than two years of additional testing and analysis before it could be certified, saying the jet was "not yet ready" to advance to the next stage of evaluation.

In April, Boeing notified 16 airlines flying its 737 MAX planes of an electrical issue, leading to the immediate grounding of more than 100 jets. Carriers resumed service on the jets in May after regulators approved Boeing's proposed fix.

Boeing has also pushed back the timeframe for new deliveries of presidential plane Air Force One and experienced numerous setbacks on the KC46 Air Force tanker.

More scrutiny

Boeing's efforts to get back on track have been complicated by disruptions to supply chains and personnel during the pandemic that have weighed on the broader economy.

The company's decision to consolidate 787 production to South Carolina and shift operations from Washington state has also led to disruption.

But experts say a good portion of the problems stem from the aftermath of the MAX crashes, including a withering September 2020 congressional report that blasted Boeing as overly focused on profit to the detriment of engineering.



Boeing Chief Executive Dave Calhoun will update investors on Wednesday when the company reports results.

The report said Boeing suffered from a "culture of concealment" from regulators at the FAA, who themselves practiced "grossly insufficient oversight" of the company.

"The investigations have shown failure in both organizations—Boeing as the manufacturer and the FAA as the overseeing body," said Bertrand Vilmer, head of the consultancy Icare.

"Now the FAA is trying to get back on track," Vilmer said. "They are looking more closely for problems, and they are finding them."

Both Boeing and the FAA have been changing procedures following recommendations from reviews of what went wrong with the MAX.

"Changes happening on both sides are leading to more oversight and supervision," said Hassan Shahidi, head of the Flight Safety Foundation, a nonprofit.

"What is important for safety is making sure that system is rigorous and robust, based on data and timely information provided to all parties," Shahidi said.

Surfacing problems?

Boeing, for its part, said it has been acting "methodically" to enhance safety practices.

With the 787, for example, "the decision to slow down production

schedules for additional inspection and perform any necessary rework is the right course of action, even if it may have an operational impact from time to time," the company said in an email to AFP.

The FAA is also demanding more from Boeing before it signs off on things.

Boeing proposed using an algorithm for inspections of the 787 in May, and the FAA required the company suspend deliveries while it studied the proposal, which it did not want to accept without checking the underlying data, according to a person familiar with the FAA's thinking.

The 787 problems have also raised questions about Boeing's internal communication and whether there is "the ability to bring bad news forward," said Herbert, citing public reassurances from Calhoun about the plane prior to the recent difficulties.

"It created, at least for shareholders, some of the perception that the company doesn't really have a good handle on these issues," he said.

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