

Boeing reports Q3 loss as 787, Starliner woes drag down results

October 27 2021, by John Biers



Deliveries on the 787 have been halted since May, a major factor in the company's third-quarter loss.

Troubles with the 787 jet and a delayed NASA test launch were a drag on Boeing in the third quarter, resulting in another loss reported

Wednesday as the aviation giant struggles to fully recover from earlier stumbles.

The company had posted a profit in the second quarter after six straight losses, but wound up back in the red in the three months ended September 30 with a loss \$109 million.

Major drivers were expenses tied to the 787 problems and one-time costs associated with the delayed test flight of the CST-100 Starliner capsule.

Those are the latest setbacks for Boeing, which navigated an existential crisis in early 2020 when the downturn in aviation due to Covid-19 added to the hit from the lengthy grounding of its 737 MAX.

Chief Executive David Calhoun told CNBC he was an "optimist," and aims to enter 2022 "with a decent trajectory" as the aviation industry recovery accelerates.

Revenues rose eight percent to \$15.3 billion in the latest quarter, reflecting the benefit from returning deliveries of the 737 MAX.

Boeing announced \$1 billion in new expenses connected with the 787 Dreamliner, with \$183 million coming in the third quarter.

The company halted deliveries of the 787 in May following a series of issues with the plane.

Avoiding forecasts

Earlier this month, the company said it would rework undelivered 787s after being notified by a supplier that some parts were not manufactured properly.

It is currently manufacturing just two 787 planes a month.

As the company works through the issues, Calhoun said he is following a "deliberate process" in interfacing with the regulators in the Federal Aviation Administration (FAA).

He likened the back-and-forth with the agency to the experience with the 737 MAX, which the FAA cleared to fly in November 2020 following a 20-month grounding in the wake of two fatal crashes.

The discussions with the FAA are "the mirror image of the MAX," he said.

He noted that Boeing had frustrated investors repeatedly by offering an overly-optimistic timeframe for returning the grounded plane to service.

So for the 787, "I can't predict delivery times," he said, adding "we are going to stick to our knitting."

But "the good news is ... that the MAX is out there, it is flying like crazy, and it is as reliable as any airplane in any fleet in the world," Calhoun said.

Boeing plans to increase production of the MAX to 31 a month in early 2022 from 23 currently.

The company is exploring further production increases, but Calhoun cited supply chain challenges as a wildcard, repeatedly highlighting questions about labor availability, as well as raw materials and logistics.

It is "not an assessment of demand that gets us to whatever number we get to," he said of MAX production.

"I think we're going to be in a supply constrained world probably from second half through all of '23 with respect to narrow-bodies."

Another question mark for the MAX concerns China, which still has not approved the plane to resume service.

Boeing is working to win approval in China by the end of 2021, with deliveries to resume in the first quarter of 2022, the executive said.

Starliner costs

A second charge of \$185 million connected to the delayed test flight of the Starliner capsule also hit results.

The CST-100 had been scheduled to fly to the International Space Station (ISS) from Cape Canaveral, Florida, on August 3 but the flight was aborted just hours before launch because of problems with propulsion system valves.

Boeing officials earlier this month said they were still testing and hoped to conduct the trial flight in the first half of 2022.

NASA gave Boeing and SpaceX multi-billion dollar contracts each to provide its astronauts with taxi services to the space station and end US reliance on Russian rockets for the journey.

Boeing needs to complete a successful mission without crew before it can carry astronauts.

The company's share price fell 1.5 percent to end the day at \$206.63.

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