

Boeing reports another loss due to 787 woes

January 26 2022, by John Biers



Boeing is producing the 787 "at a very low rate" due to quality issues that weighed on the company's fourth quarter.

Boeing reported a hefty fourth-quarter loss Wednesday as mounting costs connected to the widebody 787's woes more than offset a boost from the comeback of the 737 MAX after a lengthy grounding.

The US aviation giant reported a total of \$3.8 billion in one-time expenses associated with compensating airlines for delayed deliveries of the 787 and more costly production processes.

Those costs were the biggest factor in a larger-than-expected quarterly loss that also pushed Boeing into the red in 2021 for the third straight year.

Chief Executive David Calhoun described 2021 as a "rebuilding year," noting the progress on the 737 MAX, the narrow-body jet that was grounded for 20 months following two fatal crashes.

The 787's current travails date to late summer 2020, when the company uncovered manufacturing flaws with some jets. Boeing subsequently identified additional issues, including with the horizontal stabilizer.

The difficulties curtailed deliveries between November 2020 and March 2021. Boeing suspended deliveries again in May after more problems surfaced.

Calhoun declined to offer a timetable for resuming 787 deliveries.

"On the 787 program, we're progressing through a comprehensive effort to ensure every airplane in our production system conforms to our exacting specifications," he said.

"While this continues to impact our near-term results, it is the right approach to building stability and predictability as demand returns for the long term."

MAX comeback

For the quarter Boeing reported a \$4.1 billion loss as revenues fell 3.3

percent to \$14.8 billion.

Boeing reported an annual loss of \$4.2 billion, compared with a loss of \$11.9 billion in 2020.

Boeing also suffered an operating loss in its defense, space and security business following \$402 million in one-time costs on the KC-46A tanker program.

The tanker costs are primarily due to shifting customer preferences and supply chain disruptions due to Covid-19, a Boeing spokesperson said.

The difficulties with the 787 dampened Boeing's momentum as the airline industry recovers from a devastating slump due to Covid-19.

In another positive, though, Boeing has resumed deliveries of the 737 MAX, which was grounded for 20 months following two deadly crashes.

The company also has cheered a decision by Chinese authorities to approve the return of the MAX, although it has yet to resume deliveries to Chinese carriers.

Boeing has also seen an uptick in orders for commercial jets and cargo planes.

'Conformance' issues

Calhoun told CNBC that it has made "significant" progress on the 787 but "we can't rush it."

"We are working through real conformance issues. Not safety issues, conformance issues," he told the network. "Meaning that the airplane is built exactly and precisely according to the engineering drawings."

Boeing did not offer a timetable for resuming deliveries amid ongoing talks with the Federal Aviation Administration. The company said it is currently producing the jet "at a very low rate."

Boeing doubled its estimates for total "abnormal costs" associated with the 787 problems to \$2 billion after concluding in the fourth quarter that the issues "will take longer than previously expected" to resolve.

Peter McNally, an analyst at Third Bridge, described Boeing's quarter as "turbulent," noting that the issues with the 787 "are dragging into 2022 with major financial consequences," he said in a note.

"The company continues to lose ground to its primary competitor, Airbus," McNally said.

"However, there have been some bright spots as underlying demand for travel has picked up, Boeing is booking new orders for customers and the balance sheet has started to move in a more positive direction."

Shares fell 2.0 percent to \$200.10 in early trading.

© 2022 AFP

Citation: Boeing reports another loss due to 787 woes (2022, January 26) retrieved 24 April 2024 from <https://techxplore.com/news/2022-01-boeing-large-loss-bn-tied.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.
