

# Under pressure on plane safety, Boeing is buying stressed supplier Spirit for \$4.7 billion

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A Boeing 737 Max jet prepares to land at Boeing Field following a test flight in Seattle, Sept. 30, 2020. Boeing announced plans late Sunday, June 30, 2024, to acquire Spirit AeroSystems for \$4.7 billion in an all-stock transaction for the manufacturing firm. Credit: AP Photo/Elaine Thompson, File

Boeing announced plans to acquire key supplier Spirit AeroSystems for \$4.7 billion, a move that it says will improve plane quality and safety amid increasing scrutiny by Congress, airlines and the Department of Justice.

Boeing previously owned Spirit, and the purchase would reverse a longtime Boeing strategy of outsourcing key work on its passenger planes. That approach has been criticized as problems at Spirit disrupted production and delivery of popular Boeing jetliners including 737s and 787s.

"We believe this deal is in the best interest of the flying public, our airline customers, the employees of Spirit and Boeing, our shareholders and the country more broadly," Boeing President and CEO Dave Calhoun said in a statement late Sunday.

Concerns about safety came to a head after the Jan. 5 blowout of a panel on an Alaska Airlines 737 Max 9 at 16,000 feet (4,876 meters) over Oregon. The Federal Aviation Administration soon after announced [increased oversight](#) of Boeing and Spirit, which supplied the fuselage for the plane.

No one was seriously injured in the Alaska Airlines door incident, which terrified passengers, but Boeing is under pressure from the U.S. Justice Department to plead guilty to criminal fraud in connection with two deadly plane crashes involving its 737 Max jetliners more than five years ago.



The Boeing logo is pictured Jan. 25, 2011, on the property in El Segundo, Calif. Boeing announced plans late Sunday, June 30, 2024, to acquire Spirit AeroSystems for \$4.7 billion in an all-stock transaction for the manufacturing firm. Credit: AP Photo/Reed Saxon, File

Boeing has until the end of the week to accept or reject the offer, which includes the giant aerospace company agreeing to an independent monitor who would oversee its compliance with anti-fraud laws, according to several people who heard federal prosecutors detail a proposed offer Sunday.

The Justice Department said in a May court filing that Boeing violated terms of a 2021 settlement allowing the company to avoid prosecution for actions leading up to the crashes in Ethiopia and Indonesia, which killed 346 people.

Those crashes were blamed on a faulty sensor in a flight-control system

and the investigation is separate from the probe of the more recent Alaska Airlines blowout, which involved Spirit.

Boeing spun off Spirit, which is based in Wichita, Kansas, and not related to Spirit Airlines, in 2005. In recent years, quality problems have mounted, including fuselage panels that didn't fit together precisely enough and holes that were improperly drilled.

Spirit [removed its CEO](#) in October and replaced him with Patrick Shanahan, a former Boeing executive who served as acting defense secretary in the Trump administration.



The Spirit AeroSystems sign is pictured, July 25, 2013, in Wichita, Kan. Boeing announced plans late Sunday, June 30, 2024, to acquire Spirit AeroSystems for \$4.7 billion in an all-stock transaction for the manufacturing firm. Credit: Mike

Hutmacher/The Wichita Eagle via AP, File

Things seemed to be going more smoothly until the Alaska Airlines incident. Investigators said a panel used in place of an extra emergency door had been removed at a Boeing factory to let Spirit workers fix damaged rivets, and bolts that help hold the panel in place [were missing](#) after the repair job. It is not clear who removed the bolts and failed to put them back.

Spirit said in May that it was laying off about 450 workers at its Wichita plant because of a production slowdown since the January incident. Its total workforce was just over 13,000 people.

"Bringing Spirit and Boeing together will enable greater integration of both companies' manufacturing and engineering capabilities, including safety and quality systems," Shanahan said.

The acquisition's equity value of \$4.7 billion is \$37.25 per share, while the total value of the deal is around \$8.3 billion, which includes Spirit's last reported net debt, the aerospace company said.

Boeing common stock will be exchanged for Spirit shares according to a variable formula that depends on a weighted average of the share price over a 15-trading-day period ending on the second day before the deal closes, Boeing said.

The companies also announced an agreement with Airbus to negotiate the purchase of Spirit assets involved with programs operated by the European aerospace firm. The Airbus agreement is set to commence when Boeing's acquisition of Spirit is completed, the two U.S. companies said.

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