

China gives long-awaited approval to Boeing 737 MAX after crashes

2 December 2021, by John Biers With Beiyi Seow In Beijing



Chinese authorities cleared the way for the 737 MAX to resume after a lengthy grounding.

Chinese authorities have approved the Boeing 737 MAX to resume service after making a series of safety adjustments, removing a major uncertainty surrounding the American aviation giant's comeback after a lengthy slump.

A directive from the Civil Aviation Administration of China (CAAC) deeming the model "airworthy" sets the stage for the jet to return to airline schedules in the country next year, following months of negotiations between Beijing and Boeing.

Shares of Boeing rocketed after the decision, which also clears the way for it to deliver more than 100 MAX aircraft to Chinese carriers that were produced during the more than two years the plane was grounded in China following two deadly crashes.

The CAAC said in a further statement Friday that it expects "commercial operation of the existing domestic fleet will be resumed progressively at the end of this year or early next year."

News of the decision had initially emerged on Thursday, when AFP saw a government directive showing China was giving the green light to the 737 MAX after taking "corrective actions." The CAAC statement on Friday confirmed the decision.

The CAAC's move also confirms a place for the US plane maker in the country—an essential growth market in aviation—despite persistent trade and political tensions between Washington and Beijing.

"This will give Boeing the assurance to begin to ramp plane production back up," said Michel Merluzeau, an analyst at AIR consultancy, adding that the action amounts to the "light at the end of the tunnel" for the MAX.

Protracted process

China is the last major travel market to bring the MAX back into use after it was grounded globally in March 2019 following two crashes that together claimed 346 lives.

Investigators said a main cause of both tragedies was a faulty flight handling system known as the Maneuvering Characteristics Augmentation System (MCAS).

Boeing won approval from the United States in November 2020 and from most other leading aviation authorities soon after to resume service.

But the process was far more protracted in China, with the CAAC only conducting a test flight of the model in the third quarter of this year.

Analysts said delays may have been a consequence of tensions with Washington.

But on Thursday, Chinese authorities gave the green light after requiring upgrades to planes, including installing new software programs to address the defect and updating the flight manual.

"After conducting sufficient assessment, CAAC considers the corrective actions are adequate to address this unsafe condition," said an airworthiness directive from the authority.

The directive means there are no remaining regulatory obstacles for the MAX to return to the skies in China, although the aviation authority cautioned that it does not mean the planes will immediately return to use.

"Obtaining airworthiness is just one of the most basic tasks," said the CAAC on Friday.

It added that domestic airlines will still have to "complete aircraft modification, restoration of parked aircraft, pilot training and so on."

Symbiotic relationship

Boeing cheered the decision.

"CAAC's decision is an important milestone toward safely returning the 737 MAX to service in China," Boeing in China said in a statement to AFP.

"Boeing continues to work with regulators and our customers to return the airplane to service worldwide."

A Boeing spokeswoman said more than 180 countries have now allowed the MAX to return to service, with Indonesia, where the first crash took place, and Russia among those that have yet to do so.

Burkett Huey, an analyst at Morningstar, said Boeing still faces some important hurdles such as restoring deliveries of the 787 Dreamliner plane, its other top-selling aircraft, and beefing up its order book following cancelations and the hit from the COVID-19 aviation downturn.

But Huey called the CAAC move "very good news and very consequential" for Boeing.

Uncertainty about the timing for Beijing to approve the MAX have contributed to the company's travails in recent months.

China also has high hopes for developing its own aviation industry, with attention focused on Comac's C919 narrow-body plane, a potential rival to Airbus and Boeing aircraft.

But analysts do not believe Beijing will be able to meet its targets solely with Chinese companies.

"It would be difficult for China to grow as much as it can without Boeing for at least the next 10 years," Huey said, adding that the CAAC's action "is unlocking access to a really critical market" for Boeing.

Boeing shares finished with a gain of 7.5 percent at \$202.38, the biggest winner in the Dow.

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