



BOEING WILL NOT RAISE 787 PRODUCTION

News / Manufacturer



Boeing Co said it will not increase 787 output and could further cut 777 output unless sales of both jets improve, its clearest indication yet that its production of large jetliners may have peaked for now.

"If the market's not going to demand it, we're not going to go," Chief Financial Officer Greg Smith said on the sidelines of an investor conference in New York by global investment bank Jefferies, confirming remarks made during the formal program.

"It's not the end of the world" if Boeing keeps 787 production at 12 a month instead of lifting it to 14 as planned, Smith said during the event. "We can still be profitable in the program as I see it today at 12."

Analysts said Smith's statement confirmed that Boeing will not overproduce widebody planes and, most importantly, does not foresee an accounting charge for the 787 if output stays at 12.

Boeing took about \$1.7 billion in after-tax charges in its latest result for the 787 and 747 programs to account for excess 787 inventory and slow 747 sales.

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Smith said the company would decide in the next two months whether to cut 777 output further. If it fails to sell enough 777s to bridge the gap to new 777X production, "then we will make an adjustment accordingly," he said.

His comments went beyond what he and Boeing Chief Executive Officer Dennis Muilenburg told analysts after the company released quarterly results last month. Muilenburg said Boeing would "keep supply and demand in balance" but did not discuss keeping 787 production at 12 a month or cutting 777 further.

Low oil prices and a series of boom years have slowed orders for new widebody jetliners, raising concerns that Boeing will notch down cash and profit targets.

Smith said on Wednesday that Boeing still has about two years to decide whether to raise 787 output, given lead times for components, and could still generate rising cash flow and profit if production rates "moderate" on the 787 and 777.

The list price for the mid-sized 787 is \$264.6 million, but airlines typically receive steep discounts.

Boeing has won eight net 777 orders this year and 19 net 787 orders. It already plans to reduce 777 production by 15 percent next year as it switches to the 777X.

Boeing shares rose 0.6 percent to close at \$132.28 on the New York Stock Exchange.

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SOURCE: REUTERS

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