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Why Boeing Should Commit To A New Midsize Airplane Amid 737 MAX Crisis

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Aerospace & Defense

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During Boeing's first-quarter earnings call last week, Chairman and CEO Dennis Muilenburg was reserved addressing questions about the company's plans for a New Middle-of-the-Market Aircraft (NMA), also dubbed the 797 by industry watchers. The company is rightly focused on getting the 737 MAX back in the air, but [its problems with the 737 MAX](#) may be an argument in favor of moving forward with the 797 program. Some industry analysts believe that Boeing would be smart to commit soon.



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“Boeing [recently] reiterated their belief in the market for the NMA as they find a gap between the narrow body market (150-200 passengers/3,000 nautical mile range) and the wide body market (350 PAX/above 6,000NM) that could be filled by the NMA; an aircraft with 250 seats or so, that they estimate to be in the 2,000 aircraft need,” says Mylène Scholnick, Senior Advisor at ICF Aviation Group. “At

the earnings call for 1Q19, they were a little less firm on announcing it at the Paris Air Show as initially planned as they are putting all resources and focus on the MAX situation. It was actually the first time they mention that there is a potential effect on the NMA from the MAX. They are still targeting to making it available by mid 2020s, but have made it now a 'potential opportunity' with the board to make a firm decision."

Fleet data from aviation industry market intelligence site [ch-aviation](#)

[GmbH](#) reveals a strong replacement market for the 797 NMA to fill. These aircraft, because of [cargo or passenger capacity and range constraints](#), may not be easily be replaced by a 737 MAX or A321LR.

As of April 25, there are 737 active Boeing 767 aircraft operating for 88 carriers. Of these, 422 aircraft at 61 carriers are set up in a passenger configuration, and 38 carriers use the 767 on scheduled passenger flights. There are 669 active Boeing 757 aircraft operating for 61 carriers. Of these, 357 aircraft at 38 carriers are configured for passenger service and 16 carriers use the B757 actively on scheduled passenger flights.

Some of the key customers for both aircraft types are U.S. airlines, with Delta Air Lines at the lead, operating 78 767s and 122 757s. United Airlines operates 50 767s and 76 757s. American Airlines operates 22 767s and 37 757s.

Airbus may have made Boeing's best argument in favor of the NMA program, by pointing out additional NMA demand from smaller narrowbody replacement.

When the European manufacturer said that [Boeing's NMA might bleed orders from the 737 model](#), they were acknowledging an overlap of demand in aircraft range and capacity that might also bleed orders from the competing A320 program. Airbus' own argument that the new A321LR (long range) variant satisfies a potential NMA market confirms the overlap. The challenges that the 737 MAX is confronting now, may put Boeing's potential share of that overlap market in question, but there's no guarantee that Airbus could satisfy the need.

While the A321LR is well received, current 757 and 767 operators have not been rushing to the Airbus alternative. According to [ch-aviation GmbH](#), the A321LR variant has received 161 orders, 81 of them to lessors. With the exception of TAP, which currently wet leases Boeing 767 aircraft, there is no overlap in customers on the order books.

The A321LR may perform better in the upcoming Paris Air Show, however, with Airbus gaining from the loss of confidence in Boeing. If anything, this creates a sense of urgency for Boeing to announce a commitment to the NMA, removing doubt for those potential NMA customers who have been more than willing to wait, including [Delta](#), [United](#) and American.

Addison Schonland, airline industry analyst and founder of AirInsight, believes the fate of the NMA is difficult to predict, given Boeing's 737 MAX priorities.

"This is the \$64m question," Schonland says. "I think that the MAX faces an uphill return. Under normal circumstances, Boeing would proceed with 797, but it's clear the case for 797 is tough. Boeing has taken a long time to get here. It would seem that the 787 delays have trickled down a long way. Last year, at the Farnborough Airshow, GE made the argument that the market extent [for the NMA] was a question. Given a tight market and uphill battle for MAX, Boeing might push 797 harder and faster, but Boeing seems determined to save the MAX. Other than the MAX 8, Airbus is cleaning up on the larger models. There a lot of moving parts and tough trade-offs."

The question facing those airlines in the lower end of the middle market is whether their operational needs are best satisfied by stretching the engineering limits of existing designs, or by waiting to find the right fit. Boeing can help airlines answer that question.

"Airlines are using larger narrow-body aircraft and the order book for the A321 is high, which is why Boeing needs a response," says Scholnick. "The NMA would be a revenue driver for Boeing and next source of success. The NMA will also be a good aircraft to leverage the Boeing JV with Embraer."

Given the cash drain that may result from the 737 MAX issues, however, can Boeing commit to a new program at this point?

"The R&D and capital needed for the NMA would be around \$5-7 billion and before MAX issue, it was not a problem," Scholnick says. "It is still not a problem for Boeing but all will depend on the length of the grounding."

"I believe it is very much on the table, it will just be a matter of managing the timing of it as Boeing would not want to appear distracted by the NNA while

solving the MAX,” Scholnick adds. “As soon as MAX issues are solved and confidence is regained, all these points are key drivers for Boeing to move ahead.”

Perhaps the strongest argument is that the NMA would give Boeing an opportunity to flex its engineering muscles, helping to shift the conversation away from the challenges of the 737 MAX as the manufacturer regains industry confidence.

“The demand is there, airlines want larger narrow-body aircraft and new technology in place. If the Max is resolved quickly, then it will be back on the table in a firmer way as Boeing needs to have a new airframe for the next decade,” Scholnick says.



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I worked in aviation from 1994-2010 before turning my experience to writing about airlines and airports for leading industry and consumer publications in 2013. I've spent... **Read More**
