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CEO Takes Blame As Boeing Attempts Reset From 737-9 MAX Crisis

Marisa Garcia Senior Contributor

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Boeing CEO Dave Calhoun is departing a meeting with Senator Tammy Duckworth (D-IL) in the Hart ... [*] NURPHOTO VIA GETTY IMAGES

During the company's fourth-quarter earnings call, Boeing [BA +5.3%](#) CEO Dave Calhoun acknowledged Boeing's responsibility following the [737-9 MAX accident](#) on Alaska Airlines [ALK -2.3%](#) flight 1282 when a 'door plug' detached from the fuselage in flight.

"We caused the problem. And we understand that. Over these last few weeks, I've had tough conversations with our customers, with our regulators, congressional leaders, and more. We understand why they are angry, and we will work to earn their confidence," Calhoun said.

Calhoun did not offer details of the fault that caused the accident, pending the conclusion of the National Transportation Safety Board investigation. He explained, "As part of that NTSB process, I cannot comment on any specific root cause or speculate a root cause as a participant in the process. I do believe the investigation will narrow quickly."

Faced with public doubts about the integrity of quality control at Boeing, Calhoun promised, "We are taking immediate and comprehensive action to strengthen the quality of Boeing and within our supply chain. We instituted additional quality controls and inspections at Boeing and at our supplier. We issued bulletins to suppliers to strengthen the focus on conformance and reducing the risks of quality escapes."

Calhoun issued a separate statement to Boeing employees, urging them "to simply focus on every next airplane while doing everything possible to support our customers, follow the lead of our regulator, and ensure the highest standard of safety and quality in all that we do. Ultimately – that is what will drive our performance."

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737 Program Production Limit

Last week, the FAA announced it would not grant Boeing any production expansion. The manufacturer is producing 737s at a rate of 38 units per month.

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"We will remain at that rate until the FAA and Boeing is satisfied with our quality of manufacturing process. This increased scrutiny—whether it comes from us, from our regulator, or from third parties—will make us better. It's that simple," Calhoun said.

"This accident makes it absolutely clear we have more work to do," Calhoun added. "I know that these moments and impact delivery schedules can frustrate our customers and our investors, but quality and safety must come above all else."

Airbus Could Capitalize On Boeing Production Gap

United Airlines announced last week that it could not rely on 737-10 MAX deliveries to meet its original order timeline due to expected delays in the certification of the 737-7 and 737-10 MAX variants. The airline was to be the launch customer for the 737 MAX 10, with 277 MAX 10 planes on order and options for another 200. United's CEO Scott Kirby said there were no plans to cancel orders.

"We're taking it out of our internal plans, and we'll be working on what that means exactly with Boeing. But Boeing is not going to be able to meet their contractual deliveries on at least many of those airplanes," Kirby said.

Some have speculated that United, once owned by William Boeing, is considering a shift to more Airbus aircraft to satisfy its narrowbody capacity needs. United already operates A319, A320, and A321neo aircraft but has a more extensive 737 fleet. Airbus is ramping up to a monthly production rate of 75 A320 family aircraft.

"The problem is that Airbus is sold out for eight years. Airbus would love to make a conquest of a longtime Boeing customer. They are looking for possible ways to make this happen. One way is to increase production at its four narrow-body manufacturing locations in Toulouse, Hamburg, Mobile, and Tianjin. An extra shift could incrementally improve output. Or there is the lessor route," Ernie Arvai, industry analyst at AirInsight, [wrote this week](#). "Another option is to re-work the aircraft delivery skyline. The industry rumor mill is rife with reports that Airbus is looking to 'buy back' earlier delivery slots from customers and leasing companies for the A321neo. If it can obtain enough through position trading and ramp production by an additional two aircraft per month, it could make a proposal to United to replace the MAX 10."

While Airbus might not take the whole, the current challenges at Boeing could mean the European aircraft manufacturer gains a more significant share of United's narrowbody fleet.

Ryanair RYAAY -1.3% announced it would take any Boeing 737-10 aircraft that U.S. airlines might cancel. Delta Air Lines DAL -1% CEO Ed Bastian stood firm on the airline's order for 737 MAX aircraft, including 100 737-10s.

However, "We certainly will not take them 'til we have 1,000% confidence that that plane is fully secure, fully safe and ... everyone has signed off to that," Bastian told CNBC.

No Boeing Outlook for 2024

Boeing's Q4 report excluded any financial outlook for 2024. However, the manufacturer reported 157 commercial airplane deliveries in the fourth quarter and 611 net orders. For the year, Boeing reported 528 commercial airplanes deliveries and 1,576 net orders. The company's backlog rose to over 5,600 commercial planes. For comparison, Airbus reported an order backlog of 7,992 commercial aircraft at the end of September 2023.

Rather than speculate on the future, Calhoun addressed the pressing issue of aviation safety, saying, "We will simply focus on every next airplane and ensuring we meet all the standards that we have all the standards that our regulator has and that our customers demand. As we go about that work, we remain confident in our recovery."

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Marisa Garcia

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