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# Boeing – Back In The Hole And Predictably In Crisis

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**Blain's Morning Porridge Sept 23<sup>rd</sup> 2024: Boeing – back in the hole and predictably in Crisis**

*“The problem is leadership, or lack thereof, and the pressure to get airplanes out the door is greater than doing the job right.”*



***30,000 Boeing Workers are on strike, further slowing airline deliveries, backing up supply chains and creating higher costs for passengers. With a potential downgrade to junk, and an emergency capital raise in view – is the Boeing End Game approaching?***

Yesterday was the autumn equinox. The sky is slate grey and the rain is driving down. It will be dark longer than it is light today.

There is the ooze of ending and decay in the garden.... Summer is dimly remembered – stark reality intrudes back into our days..... I tend to get a little down this time of year...

Ah.. if only the summer...

Back in dimly-remembered July I must have been in the sun too long... my brain short-circuited. I wrote an almost positive piece about Boeing, (!! ) going as far as to suggest taking a punt on the stock “*at \$180 its down 30%, it may be worth a giggle [a small see-what-happens] position.*” I reckoned it had reached its’ Nadir – finally Boeing would turn itself around. Earlier in the year I’d even written a note called **the Rehabilitation of Boeing**. What was I smoking?

I have since been slapped across the chops with the cold wet mackerel of foolish hopes: Boeing is down at \$153, 40% down on the year, and is suffering a sustained battering from unremittingly bad news on just about every front.

30,000 Boeing production line staff are on strike. They want their pay up to pre-pandemic and pre-inflation levels, they want their benefits restored. You can’t but feel some sympathy for them – over the last 15 years production staff were progressively stripped of healthcare, pension and benefits by management cost cutting. Remaining staff – but not management – will be on unpaid furlough 1 week each month. The negotiations are not going well.



One of the smartest people I know in Aviation is my chum Addison Schonland of Airinsight. He reckons the consequences of the strike on the global airline industry and the dynamics of aircraft supply and pricing will be immense. The current crisis at Boeing creates reverberating economic shocks – worsening supply chain problems, while causing massive headaches for airlines desperately trying to source new aircraft to meet increasing capacity, and hitting passengers as the cost of travel rises.

He notes Boeing has delivered about half as many aircraft as Airbus this year. This will be the worst year in decades for new plane deliveries. Supply chain friction, engine problems, and skill shortages affect both OEMs (Original Equipment Manufacturers), but Boeing's additional problems on safety, regulation and its appalling workforce issues, mean it's in serious danger – even as its latest CEO, Kelly Ortberg takes over – at least he has an engineering background.

Boeing's future absolutely depends on sorting the strike quickly. But there are further black clouds on the horizon. The credit agencies are weighing a downgrade to junk status on the back of the \$58 bln it borrowed at ultra-low rates and squandered on stock buybacks during the QE era. It will struggle to refinance its current debt when revenues and cash balances are crashing because it can't deliver any planes! A rumoured \$10 bln equity deal is in the works – but seriously who would buy a firm with some 20 years of broken industrial relations to repair and an increasing furious customer base?

There was a time when Boeing deliveries would move the US trade deficit into positive territory all on their own, and the US Exim Bank was known as the Bank of Boeing. But today there is an uncurrent among Aviation investors that the unthinkable may be possible – a breakup into the defence business and dumping the broken



commercial business. Even defence will be struggle. The head of the loss-making defence group was shown the door last week – it didn't help they've handed the future of manned space flight to Space X by the leaving two astronauts Lost in Space (*Danger, Danger Will Robinson, Danger*) on the ISS.

Regular readers will know I regularly write about just how bloody awful Boeing is – not because I am a stock analyst (I am not), but because Boeing is a text-book lesson in what's wrong with capitalism – I've called it the Worst Company in the World many times. (To read my comments on Boeing use the Q function on the website or try [this link](#).)

Boeing has become a rolling, real-life Shakespearean Tragedy – brought down by greed and hubris from the most inept, overpaid bunch of muppets to be given the keys to the executive bathroom.

Moreover, Boeing's dramatic fall from grace – accelerating as it is this month – is something every single American voter should understand. Donald Trump's dedicated **Make America Great Again** followers should know the truth – the reason Boeing, its' workers, and the multiple other firms and jobs that are the critical cogs of Boeing's supply chains, are in crisis – Boeing is the author of its own failure.

It's nothing to do with unfair competition from China. China hasn't ever sold a single airliner in America, but has delivered literally billions of cheap parts that Boeing management contracted them to do because it meant it meant bigger bonuses for them if they bought cheap outside 'Merica. (And yes, I know half-a-dozen Libertarian Trumptards will immediately seize on this as evidence of how greedy 'Merican workers are undermining great US companies... we can't legislate against greed and stupidity.)



It you want to understand the *great divide* between the working classes in the USA struggling to pay their rents, auto loans, and credit cars and wondering WTF happened to the American Dream, contrast them with the C-Suite at Boeing.

It was Boeing's management of highly qualified, Jack Welsh reading, MBAs and CAs (who would not know a socket from a wrench) who decided to stretch the venerable B-737 to the "Max", (a plane *designed by clowns overseen by monkeys*, according to their own senior engineers), murdering 346 passengers and crew, while trying to blame the airlines. They oversaw the capture of their regulator, the FAA, and sacked engineers and safety inspectors during the pandemic, yet kept the cost accountants in situ. These are the guys who invested all the company profits in stock buybacks with the primary aim of increasing the value of their stock options and bonuses – rather than invest in new designs, safety and productivity. These are they guys the US FAA is keeping on a tight lead because of ongoing and unaddressed safety issues, like doors falling off in flight.

You don't hear Donald Trump blaming the relative poverty of his MAGA supporters on the massively powerful *financialised* US corporates that made their stockholders rich by exploiting the easy debt of QE era interest rates, who are now blaming US workers for being too greedy – how very dare they want pay rises to compensate for inflation, and better conditions and benefits – damn communists, the whole lot of them...

Discredited Boeing CEO Denis Muilenburg got a \$62 mln compensation and benefits payoff from Boeing in 2019 after the Max corporate manslaughters. Equally discredited cCEO Dave Calhoun exited the firm in ignominy this year, with a potential stock upside package worth \$46mm after a 45% increase in his



salary to \$33 mm last year. The average US CEO earns more than 350 times the wage of his/her average worker.

There is massive imbalance in the US economy that lies at the heart of the current political polarisation – it's about income and opportunity inequality. Financialisation – the utter subjugation of other stakeholders (workers, but also customers) to shareholder wealth is what lies at the heart of America's rotting business core. Not illegal immigrants or the fact China is now a major competitor.

The genius of Donald Trump's MAGA populism was to deflect Workers across smokestack, small town American heartlands from blaming the companies that are responsible for their poverty, by giving them other enemies to blame. Its straight out the five-minute hate from 1984! Blame immigrants for crime and China for stealing jobs, while taking contributions from the disgustingly wealthy to pay the campaign costs. Make spurious arguments about "trickle-down" wealth effects, and be praised by the sheeple for slashing taxes on the wealthy – another thank you for their campaign contributions.

Boeing's crisis and the damage it will inflict on the US economy, and globally is 100% a domestically created clusterf\*ck for which good'ole American management is 100% responsible. They should wear it.

Gosh... that's all a bit Socially Progressive at 7.30 on a Monday morning... but that's the brutal reality of what's wrong with Boeing and swathes of corporate 'Merica.

Out of time, and back to the day job....

Bill Blain

Author of the Morning Porridge, founder of Wind Shift Capital



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Finally: *Please check out [Bill's Pub to Club Swim](#): Myself and some chums swan 2.5 miles down the River Hamble last weekend raising funds for Heartbeat. Please consider a donation!*

## 4 Comments



**Bill Blain** September 23, 2024 at 10:21 am [Log in to Reply](#)

Yep... as predicted from a right whinger:

“How can you call yourself a strategist, when you clearly dont understand free markets and the requirement of large corporates to complete with foreign competition by keeping costs low? ”

Doh...





**Stewart White** September 23, 2024 at 11:54 am [Log in to Reply](#)

Agreed and it's not like the Trump campaign even bothers to hide it. US corporates and sleazy techno bros fund his campaign because they're worried that the ever-increasing \$\$\$ gap between the proles and them just isn't widening fast enough but the MAGA types just love to have another scapegoat thrown on the pyre (currently Haitians but next week it will be somebody else) rather than waking up and realising that they're being taken for suckers. Harris et al aren't much better I hasten to add.

To be fair, Farage is no better than Trump in terms of where his campaign contributions come from and what his puppetmasters will want from him in the hideous event of him gaining power, e.g. "Liz Truss's mini-fiscal event (budget in all but name obvs.) just wasn't radical enough – we need to abolish income tax for high earners" but whilst Trump is demonstrably





deranged, we underestimate  
Farage at our peril as whilst  
he's a fellow traveller with the  
far right, he isn't a fool.



**Bill Blain** September 23, 2024 at  
12:31 pm [Log in to Reply](#)

Thanks Stewart

I find it incredible how  
the libertatian ultra-  
right, alt-right, and  
rightist populists have  
joined with the  
megawealthy to ensure  
the working classes are  
effectively made serfs  
again.. oh the irony of it  
all given Hayek wrote  
“The Road to Serfdom”  
Or, one of my better  
lines:

***Whats the difference  
between a Socialist and  
a Libertarian? A  
Socialist wants what is  
yours, while a  
Libertarian already  
owns it...”***



**James Wilmot-Smith** September 23, 2024 at  
10:25 am [Log in to Reply](#)

Want to add RTX/Pratt and Witney  
to the list? Engine problems  
grounding many, maybe up to 600



320 neos and “fix” schedules  
measured in years.....

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