

The Air India plane that crashed was a Boeing Dreamliner. What it could mean for the company's flagship jet.



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By Claudia Assis

Fatal accident ends Dreamliner's strong safety record

The tragic Air India crash on Thursday involved a Dreamliner jet and will raise questions for Boeing's most ambitious program - a coveted long-haul airplane that airlines around the world gladly wait years to receive.

An Air India 787-8 Dreamliner, carrying more than 200 people and headed to London, crashed in western India shortly after takeoff earlier Thursday. The cause, or most likely causes, of the accident won't be known for months.

The Dreamliner is "Boeing's flagship aircraft," said Ernest Arvai, president of aviation consultancy AirInsight Group. It is one of Boeing's most commercially successful jet programs.

The fatal accident renewed safety concerns about Boeing (BA), already bruised by a series of mishaps in recent years. In a statement Thursday, the company said it was in contact with Air India to support. "Our thoughts are with the passengers, crew, first responders and all affected."

The Dreamliner jet family is Boeing's lightweight and most fuel-efficient aircraft - equipped with the latest and greatest in aviation technology, and laden with

passenger amenities and advanced flight-control systems. Given its sophisticated pilot controls, "the plane can almost take off and land itself," Arvai said.

The plane, however, also has a long history of development problems, cost overruns and troubled beginnings. The Dreamliner entered service in 2011, some three years behind schedule. Battery-related problems followed that debut, and the planes were grounded a year later until Boeing implemented new safety systems for the lithium batteries on the aircraft.

"It had a rough start manufacturing-wise, but until today had a perfect safety record," Arvai said.

The troubles at Boeing have mounted in recent years, including the Boeing 737 Max fatal crashes in 2018 and 2019, and a Alaska Airlines (ALK) plane's midair panel blowout, also on a 737 Max, in 2024. These incidents have resulted in regulatory scrutiny, a management shake-up that included the resignation of Boeing's CEO, and a loss of confidence among clients, investors and the flying public.

"It is understandable that investors will take a cautious view on the stock, even though the implications of the crash are not known at this time," RBC analyst Ken Herbert said.

After crashes and incidents involving Boeing aircraft, the company's stock has been down an average of 5% on the day, and then down an average of 6% one week after the accident, Herbert said, noting he looked at the two Max crashes as well as the two 787 battery fires and the door-panel incident to arrive at his calculations.

Boeing is viewed as a "too big to fail" company, a U.S. industrial champion that not only makes commercial planes but is also critical for the U.S. aerospace and defense industry. The highly specialized manufacturer is the American side of a commercial-jet duopoly with the Europe's Airbus SE (FR:AIR).

Both the Dreamliner and Airbus's A350 are two-aisle planes meant for long-haul flights, and both planes go neck-to-neck in terms of sales. There's nothing else on the market of their size and features.

Boeing says that its lightweight, fuel-efficient Dreamliner opened up hundreds of nonstop international flights - the combination of economy and convenience that airlines strive for.

There are nearly 1,200 Dreamliners in operation, including some 864 flying for major global airlines, according to Jefferies, which cited its own data as well as industry estimates.

Boeing's Dreamliner backlog, or orders already in the books, totals 948 jets, mostly the 787-9 variation, Jefferies said.

Among U.S. airlines, United Airlines Holdings Inc. (UAL) flies 78 Dreamliners, and American Airlines Group Inc. (AAL) operates 63 of the jets. Delta Air Lines Inc. (DAL) uses mostly Airbus A350s and A330s and Boeing 767s for its long-haul flights, or those lasting more than six to eight hours.

The Air India crash likely will cast a shadow over Boeing on the eve of one the industry's most important events. The Paris Air Show starts this weekend, and often both Boeing and Airbus announce major jet orders that often were at least a couple of years in the making.

The crash "will likely impact sentiment on [Boeing's stock] in the near term, and will likely limit near-term upside" that is commonly associated with the week of the show, RBC's Herbert said.

For airlines, the combination of fuel efficiency and amenities is something they are willing to wait for. Orders hammered out today likely will be fulfilled seven to eight years down the road, and the accident is unlikely to put a damper on the Dreamliner program's pace, analysts said.

That's because of the heightened demand for fuel-efficient planes and the production bottlenecks that both Boeing and Airbus have experienced. Such constraints were already in place before the pandemic, which exacerbated them, and have not been fully resolved.

Meanwhile, international flights, the type most suitable for the Dreamliner and its Airbus competitor, are some of the most profitable lines of business for major airlines. On such planes, carriers can offer premium, rarely discounted cabin-service tiers. In addition, demand for international flights has been sustained even as demand for domestic flights has faltered.

Other companies with significant 787 exposure include GE Aerospace (GE), which makes its engines; RTX Corp. (RTX), maker of its avionics components, interiors and systems; France's Safran (FR:SAF), maker of landing gear; Howmet Aerospace Inc. (HWM), which makes the plane's fasteners and engine components; Hexcel Corp. (HXL), a supplier of structural composites; and components supplier Ducommun Inc. (DCO).

A complete investigation into the Air India crash is likely to take six to eight months to conclude. According to reports, the crew issued a mayday call right before the accident.

Takeoffs and landings are the most difficult parts of flights, as pilots and machines are tasked with executing carefully orchestrated maneuvers as a firehose of readings and data are coming at them.

"We would caution investors to not rush to judgment on the causes of the crash, but can appreciate the uncertainty now on the stock will be an overhang, and could linger for an extended period of time," RBC's Herbert said.

Boeing shares dropped nearly 5% Thursday, leading decliners on the Dow Jones Industrial Average DJIA. The stock had been on a tear in recent months, energized by new leadership and successes at the company.

Boeing shares are up nearly 30% in the past three months, compared with gains of about 3.6% for the Dow Jones Industrial Average.

-Claudia Assis

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