Here's the latest sign that Boeing is going on the offensive against Airbus

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By Claudia Assis

The jet maker is 'back at looking at the future' in reportedly working on a 737 Max replacement, one analyst notes

A Qantas Airbus A380 plane and a Virgin Australia Boeing 737-800 jet on runways at Sydney Airport in Australia. Airbus and Boeing enjoy a duopoly in commercial aircraft manufacturing.

Boeing Co. is reportedly beginning to work on a new narrow-body plane to 737 Max, which has been beset by production problems.

It would be a fresh sign that the U.S. jet maker's turnaround is taking hold, Boeing (BA) is ready to go on the offensive against rival Airbus SE (FR:AIR) according to analysts.

The Wall Street Journal reported Tuesday that Boeing Chief Executive Kelly Ortberg met with officials from Rolls-Royce Holdings Plc (UK:RR) (RYCEY) earlier this year to discuss a new engine for the future aircraft, and that some initial design work has started. The report cited people familiar with the matter.

Boeing is "back at looking at the future," said Ernest Arvai, president ataviation-industry analysis and advisory firm AirInsight Group. "The company is returning back to normal after 2024, the year they almost failed."

Thinking of new planes incorporating new technologies and holding discussions with suppliers is routine for Boeing, but the company had to stop that a little while it worked out production problems, Arvai said.

A new Boeing jet being discussed today would enter service around 2037. A 10-plus-year planning horizon is common in aviation, and by that time the 737, Boeing's most successful jet family, will be nearly 70 years old.

Tuesday's report follows news last week that federal aviation regulators said they will allow Boeing to issue final safety documents for some 737 Max and 787 airplanes starting this week. The company's stock jumped on Friday, but gave back some of the gains Monday and Tuesday.

A Boeing representative said that the company continues to focus on its recovery plan, including clearing a backlog of nearly 6,000 commercial airplanes and certifying the new 737 and 777 models.

"At the same time, as we have done over the decades, our team evaluates the market, advances key technologies and improves our financial performance, so that we will be ready when the time is right to move forward with a new product," the spokesperson said.

Boeing and Airbus enjoy a lucrative duopoly as the two main commercial aircraft makers, but the U.S. giant has been losing ground to its European counterpart.

That is in part due to the problems the 737 Max family has faced, including two deadly crashes in October 2018 and March 2019. The global fleet was grounded for nearly two years starting in March 2019 following the crashes.

Boeing's sales went from more than $101 billion in 2018 to $66.5 billion last year. The FactSet analyst consensus for 2025 sales is $86 billion. Projected 2025 sales for Airbus hover around $87 billion, from $72 billion in 2018.

The original 737 entered service in the late 1960s and for years running had been the best-selling commercial jet in the world, with Airbus's A320 nipping at its heels. Some expect that to change this year.

The 737's success is viewed by some as from being in the right place at the right time. It benefited from airline deregulation in the U.S. in the late 1970s and from the 1980s industry boom that ensued.

A new plane would incorporate the latest in fuel efficiency, automation and materials, to name a few. New technologies can get very expensive, and bringing costs down to mass produce the new plane will be part of the work at Boeing's headquarters, Arvai said.

Shares of Boeing have gained about 22% this year, compared with an advance of around 13% for the S&P 500 index SPX.

-Claudia Assis

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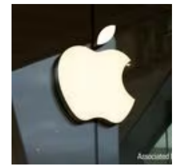

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