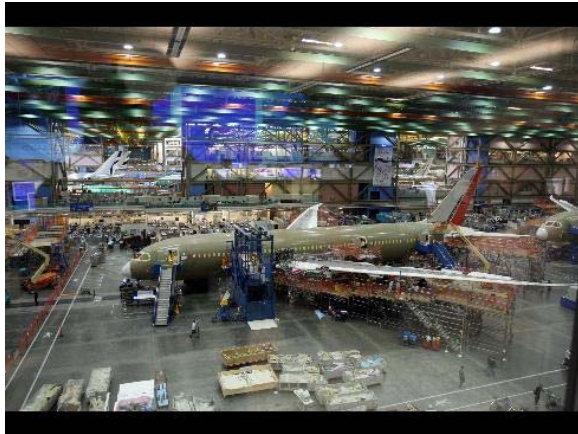


Boeing's Absent 787 Leaves Airspace in Paris

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By: Susanna Ray



June 15 (Bloomberg) -- The most talked-about plane at the Paris Air Show will be the one that missed the flight.

Boeing Co.'s 787 Dreamliner would be delivered "bang on schedule" in 2008, commercial-planes chief Scott Carson said in June 2007 at the industry's last Paris gathering. Instead, a date hasn't even been set for its maiden flight after production and development delays put the model back two years.

Investor confidence in Boeing, whose stock has lost half its value since the first delay in October 2007, won't be restored until the 787 takes to the skies, said Bill Alderman of Alderman & Co. Capital, a broker specializing in aerospace. That should be in the next two weeks, Carson said in Paris today, without being specific. Even then the plane has hurdles to clear, according to Craig Fraser, a Fitch Ratings analyst in New York.

"The first flight is an important event, but there are still a few years of potential risk with this program," Fraser said "Flight testing may uncover some other issues that could set back the program, and production ramp-up is always a risk."

Four delays to the 787 have also ceded ground to Airbus SAS, Chicago-based Boeing's only bigger rival. Committed to building the larger A380, the European company initially stalled in its response to the Dreamliner, Boeing's fastest-selling model with 865 orders. Airbus has since begun to close the gap, racking up 483 orders

for the competing A350, which will now enter service three years behind the Dreamliner.

The two companies are showing off their wares at the Paris show, a proving ground for planemakers, defense companies and engine manufacturers. The event, which began today and runs until June 21, will have more than 2,000 exhibitors for the first time, though there will be fewer new aircraft, according to the French trade group organizing the show.

The 787 has lost 58 orders so far this year as airlines cut capacity and trim spending to stem losses in a global recession.

While the Dreamliner will "fly when it's ready," Boeing is "absolutely committed" to getting it off the ground within the next two weeks, Carson said in a briefing with journalists today. The executive said that while it would have been "great" to have flown the aircraft in time for the Paris show, the company chose not to be driven by any particular event.

Boeing plans to complete the certification process by the beginning of next year. Japan's All Nippon Airways Co. says it has been told it will get the first 787 in February. "There's a confidence factor that's important," Alderman said. "The first flight matters in terms of market perception regarding Boeing having its house in order."

The 250-seat Dreamliner is the first airliner to have a fuselage and wings built of composite plastic, making it lighter than traditional aluminum planes, and will use the most extensive electrical system yet to help save on fuel. Boeing still has to check everything from lights and bathroom plumbing to landing gear and performance of the new materials during lightning strikes. About 600 engineers and 400 mechanics plan to work with test pilots around the clock in the company's most ambitious testing program yet. "We've made great progress in the last few weeks," Randy Tinseth, Boeing's commercial marketing chief, said in an interview last week in London.

Advances in computer simulation will help shorten the process, Boeing says, especially since the manufacturer and its suppliers have had extra time to run the systems during the

delays. A test program normally takes about two months longer than Boeing has scheduled for the 787.

Boeing aims to build 10 Dreamliners a month by mid-2012 and created a NASA-like mission-control center about six months ago to make sure its suppliers are up to the job. The manufacturing process counts on vendors from Italy to Japan to gather parts and construct large sections of the aircraft, which Boeing machinists will assemble in just three days. Scott Fancher, the 787 general manager, said last month the company has made tooling improvements to clear up "bottlenecks" in South Carolina where Global Aeronautica LLC, a joint venture with a unit of Italy's Finmeccanica SpA, is working on a "difficult body join."

The Production Integration Center overlooks the 787 assembly line at the company's widebody plant in Everett, Washington -- the world's biggest building by volume. The center monitors everything that could have an impact on production, from earthquakes and hurricanes to riots and even swine flu. Video cameras at remote plants should speed problem resolution.

Engineers have completed so-called intermediate gauntlet testing of the 787, which simulates conditions ranging from long-duration flights to multiple systems failures. Trials remaining before the first takeoff include a high-speed taxi test where the wheels may briefly lift off the runway.

"The good news is that it seems to be coming together at this point," said Wolfgang Demisch, a partner at Demisch Associates, a financial consultant that focuses on aerospace and technology companies. "The teething troubles have been just brutal, but they don't seem to have done mortal damage to the project and the customers are still excited about it." The delays may even be a boon to some airlines as the industry seeks to rein in capacity. Research and development costs still are adding up for Boeing, along with penalty payments for not handing over the plane when promised.

"If you start to deliver the airplane during a slow period it takes longer to get to the point where your production breaks even," Demisch said. "The interest costs and launch costs continue to accumulate and your financial hole gets deeper."

Boeing has said the first 787s will be overweight, undermining one of the model's biggest selling points. Shanghai Airlines Co. said in March it might cancel its orders because of quality problems.

Ultimately, though, the operational savings that the composite-based construction will deliver should make it a success, said Alderman. "They won't get it right the first time," he said. "But it'll be right enough to be safe, profitable and over time, one of Boeing's best products ever built."