

# Boeing shares hit as FAA finds new 737 MAX issue

June 28 2019, by Luc Olinga

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Southwest Airlines, whose Boeing 737 MAX aircraft are shown here parked on a California tarmac, again pushed back its timeframe for returning the plane to service

Shares of Boeing tumbled Thursday, a day after US regulators identified a new issue in the Boeing 737 MAX that will likely slow the plane's

return to service following two deadly crashes.

The issue—described by one aviation expert as "another black eye" for the 737 MAX—came as a major US airline again pushed back the timeframe for returning the planes to service and as Boeing faced fresh questions over its compliance with a 2015 US regulatory settlement intended to improve plane airworthiness.

Boeing dropped 2.9 percent to \$364.02, pushing the Dow into negative territory.

Late Wednesday, the Federal Aviation Administration said it would require Boeing to mitigate a new "[potential risk](#)" in the 737 MAX. The planes have been grounded since mid-March following crashes that claimed 346 lives.

The issue, identified during simulator testing, concerns a problem with a microprocessor that impedes the ability of pilots to quickly reassert control of the plane after having activated the Maneuvering Characteristics Augmentation System (MCAS), according to two people familiar with the issue.

Scott Hamilton of the aviation consultancy Leeham characterized the problem as "another black eye for the airplane" that will add "an indeterminate amount of time to fixing the MAX."

Boeing has disclosed few details about the problem, making it difficult to know whether it could be addressed with a software update or would require a more significant upgrade.

One aviation source said there is the potential for a big delay if addressing the issue requires more comprehensive changes.

A Bloomberg report cited unnamed sources as saying it could take up to three months to address the latest issue.

A key step in the certification is an FAA test flight, which has not been scheduled and could not occur until the week of July 8 at the earliest, said a person familiar with the matter.

## **Southwest Airlines grounding extended**

Even before this latest issue surfaced, the outlook for getting the planes back in the air was uncertain, in part because the FAA wants other regulators to approve the plane's reentry soon after the US agency does.

On Thursday, the International Air Transport Association, which represents 290 airlines, called on global regulators to coordinate to ensure the aircraft's safe return to service.

"Aviation is a globally integrated system that relies on global standards, including mutual recognition, trust, and reciprocity among safety regulators," IATA chief executive Alexandre de Juniac said in a statement.

"Aviation cannot function efficiently without this coordinated effort and restoring public confidence demands it."

IATA also called for "additional training requirements" for 737 MAX crews but did not take a position on whether simulator training should be required of pilots in order for the [plane](#) to be certified back into service.

Also Thursday, Southwest Airlines again pushed back its timeframe for returning the 737 MAX to service, saying it was awaiting guidance on the timing from Boeing and the FAA.

"We previously revised our flight schedule by removing the MAX through Sept 2 to offer reliability to our operation and stability for our customers during the busy summer travel months," the company said in a statement.

"With the timing of the MAX's return-to-service still uncertain, we are again revising our plans to remove the MAX from our schedule through Oct 1."

## **Fulfilling its obligations?**

Boeing was also under scrutiny after a Washington Post expose questioned the company's compliance with a \$12 million settlement with the FAA.

Announced in December 2015, the settlement required Boeing to bolster internal auditing and adopt stricter safety standards after earlier FAA reviews uncovered some 13 lapses that included leaving tools close to cables and improperly installing wires—part of what The Post called "a pattern of recurring safety problems."

The Post article cited two unnamed sources who said Boeing failed to meet some of its obligations under the five-year agreement but said the agency had not imposed additional fines.

Boeing has "invested significant resources" to fulfill its obligations and "is fully committed to meeting the rigorous standards reflected in the settlement agreement," a company spokesperson said.

"This is precisely how the system is supposed to work: rigorous oversight by the FAA, coupled with significant Boeing investment in process, systems, and people, leading to continuous improvement in safety, quality, and compliance."

The FAA said Boeing's commitments under the settlement exceed "standard regulatory requirements" and are continuously reviewed, according to an email released by an agency spokesperson.

"The FAA has not yet assessed any deferred penalties against Boeing based upon the settlement agreement but the FAA continues to closely monitor and evaluate Boeing's performance under the settlement agreement," the agency added.

"As this [settlement](#) remains open, we cannot discuss our current evaluation and potential appropriate actions we may take based on Boeing's performance of the agreement."

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