

Grounding of Boeing plane hovers over big air show in Paris

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In this June 20, 2017, file photo Boeing planes displayed at Paris Air Show, in Le Bourget, east of Paris, France. Uncertainty over a Boeing jet and apprehension about the global economy hover over the aircraft industry as it prepares for next week's Paris Air Show. (AP Photo/Michel Euler, File)

Uncertainty over a Boeing jet and apprehension about the global economy hover over the aircraft industry as it prepares for next week's Paris Air Show.

That show and its alternating-years companion, the Farnborough International Airshow near London, are usually upbeat celebrations of the latest and greatest in aviation technology. In recent boom years, they have become a stage for huge aircraft orders.

This year, however, the mood could be different.

The Boeing 737 Max has been grounded worldwide for three months after new flight software played a role in two deadly plane crashes. There is no clear date for when it might fly again.

There are other troubling signs for the industry. After several years of surging growth, passenger traffic in March grew at the weakest rate in nine years, although April was slightly better. The chief of the International Air Transport Association, a global airline trade group, blamed a slowing global economy and damage from tariffs and trade fights.

Air cargo shipments—considered a leading economic indicator—fell 4.7% in April, continuing a slump that began in January and could dent demand for air freighters.

And airlines have committed to buy so many planes that Boeing now has a backlog of 5,500 orders and Airbus has 7,200—far higher than usual. Airlines might not have much appetite for more.

"There is a lot to be concerned about," said Richard Aboulafia, an aerospace analyst with Teal Group. "It might make for kind of a grim Paris."

Heading into the show, Boeing and Airbus have reported much weaker orders this year. Boeing received no orders in May after getting just one in April. Deliveries of completed jets tumbled 56% last month as it stopped shipping new Max jets. Airbus saw an increase in deliveries, but it reported just one new order last month.

Airlines have placed so many orders for the Boeing 737 and Airbus A320 family already that analysts expect few new sales for those so-called narrowbody planes during the air show.

Credit Suisse analysts predicted that no airline will order any more Max jets until the grounding is lifted.

"I do believe that that aircraft will get back in the air and commercially minded airlines will buy it, but just not next week," said Samuel Engel, a senior executive at the airline and aircraft-finance consultant ICF. He said public doubt and fear about flying on the plane is too great right now but—and this is a view widely shared in the industry—will diminish over time.

With so many of its airline customers and suppliers at the air show, Boeing will be under pressure to provide an update on the Max's expected return to flying, and how quickly after that Boeing can increase production. The company cut Max production in mid-April from a rate of 52 planes a month to 42.

The Max, the newest version of Boeing's best-selling plane, is critical to the company's future. The Max was a direct response to Airbus' fuel-efficient A320neo. Airbus has taken 6,500 orders for various neo models, outpacing the Max with its nearly 5,000 orders.

Boeing has struggled to get a handle on the Max controversy. Its fix for software implicated in crashes that killed 346 people has taken months

longer than expected, and it is unclear how long it will take the Federal Aviation Administration and other regulators to approve Boeing's work.

The acting head of the FAA has faulted the company for not telling regulators for more than year that a safety indicator in the Max cockpit didn't work. Pilots were furious that the company didn't tell them about the new software on the plane.

Boeing's public-relations strategy has been "measured and passed through lawyers," said Engel, who believes its leaders need to be more forthcoming. "Information that seemed to be important to the discussion came from outside Boeing. The company should be putting that information out there ahead of bloggers."

The company plans to hold briefings on the Max and its business strategy during the air show. "The air show is an important event for us to meet with customers, partners and suppliers and engage with them on our path forward on the 737 MAX and reinforce our unrelenting commitment to safety," Boeing spokesman Peter Pedraza said in a statement.

Airbus executives said the Max crashes didn't affect their own strategy for the air show.

"What has happened with the Max ... doesn't change the way to talk to customers," Airbus CEO Guillaume Faury said.

Press coverage of the air shows often boils down to who logs the most sales, Boeing or Airbus.

"Airbus tends to stockpile or hold on to orders to announce at the air show, so I would certainly expect more activity out of Airbus than Boeing" in Paris, said Ken Herbert, an aerospace analyst for Canaccord Genuity. "I don't think that will surprise anybody, considering the Max

and everything else."

Herbert said if Boeing can just make "a decent to good showing" in orders for its bigger "widebody" planes, the 777 and 787, the event will be deemed a success for the Chicago-based company.

There is widespread expectation in aviation circles that Airbus will use the air show to officially launch a new plane, the A321XLR, a long-range version of its popular A320 family, which could set off several plot twists in the competition between Boeing and Airbus.

American Airlines is considering the plane as a replacement for its fleet of aging Boeing 757 jets, according to Bloomberg. A spokeswoman for American declined to comment.

If a U.S. airline like American—the biggest carrier in the world—steps forward as an early buyer of a plane from Boeing's European rival, it will make a big splash.

Airbus executives strongly hinted on Friday that they will unveil the A321XLR next week, but they wouldn't comment on American or other potential customers.

An Airbus announcement about a new plane could send ripples into the board room at Boeing headquarters. Boeing is considering whether to build a new jet—the concept is dubbed New Midsize Airplane, or NMA—that would be close in size to the A321XLR. It would fill a gap in the Boeing lineup between the smaller 737 and the larger 777 and 787.

Some analysts believe that if American orders the A321XLR, it will give Boeing more incentive to push ahead with the NMA rather than surrender a portion of the market to Airbus.

The long boom for aircraft manufacturers has already lasted longer than expected. The Paris show could tell whether airlines are optimistic enough about the economy and travel demand to keep buying, even though new orders so far in 2019 have been anemic.

"If people are going to trot out orders, it's here," Aboulafia said. But, he added, "We are in year 15 of a seven-year cycle."

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