**Boeing to cut 737 jet production after Ethiopia crash**

Two deadly crashes have caused extensive safety reviews

Boeing will cut production of the 737 Max from 52 to 42 planes per month starting mid-April.

Boeing will cut output of its 737 jetliners by mid-April and is creating a

special board panel to review safety and design after two fatal crashes

prompted regulators worldwide to ground the newest and best-selling

member of the aircraft family.

The industry giant will temporarily cut its production rate to 42 aeroplanes a

month from 52. Boeing plans to coordinate with customers and suppliers to

blunt the financial impact of the slowdown. For now it doesn’t plan to lay off

workers from the 737 program, Boeing Chief Executive Officer Dennis

Muilenburg said.

“When the Max returns to the skies, we’ve promised our airline customers

and their passengers and crews that it will be as safe as any airplane ever

to fly,” Mr Muilenburg said in a statement Friday after the close of regular

trading.

Boeing shares fell 1.9 per cent to $384.49 after the announcement. The

stock has declined 7.2 per cent since the March 10 Ethiopian crash,

making the company the second-worst performer in the 30-member Dow

Jones Industrial Average for that period.

Boeing had planned to hike output of the 737, a workhorse for budget

carriers, about 10 percent by midyear. Suppliers who provide the 600,000

parts needed for each plane had already started moving toward a 57-jet

monthly pace under a carefully orchestrated schedule set in place long

before the Lion Air and Ethiopian Airlines disasters.

The company doesn’t rule out further cuts to production if the grounding

proves to be lengthy. “We’ll continue to assess our production plan,”

Boeing spokesman Chaz Bickers said.

With the 737 Max now grounded indefinitely, the production slowdown will

help Boeing preserve cash. The Chicago-based manufacturer faces losses

of $1.5 billion to $2.7 billion a month as customers halt advance payments

for jets whose deliveries are suspended, Seth Seifman, an analyst with J.P.

Morgan, estimated before the production cuts were confirmed.

Boeing’s announcement comes a day after Ethiopian officials released a

preliminary report on the latest Max accident, concluding that the jet

experienced the same equipment failure as a Lion Air 737 that crashed off

Indonesia in October. The two incidents killed a combined 346 people.

If regulators take their time in certifying the Max’s return to the skies,

Boeing would be forced to stash hundreds of factory-fresh jets in airports

across the Western U.S. until commercial flights resume. As of Friday,

there were 21 of the jets stored at Paine Field north of Seattle, according to

737 production blogger Chris Edwards, and eight at Boeing Field to the

city’s south.

The reversal squeezes suppliers who’d hired workers and invested to

expand capacity. With order books oversold through 2023, Boeing and

Airbus SE had considered hiking production to as high as 70 a month next

decade.

Spirit Aero Systems Holdings Inc., which makes the fuselages for the Max

and derives about half its revenue from the 737, fell 4.1 percent to $85.97

after the announcement.

While the slowdown dials back production to 2016 levels, doing so will

provide some breathing room for suppliers straining to keep up with the

previous tempo, like CFM International.

CFM International, a joint venture of General Electric Co and Safran SA

that builds engines for the 737 Max, doesn’t currently plan to cut output of

the turbofans, according to Jamie Jewell, a spokeswoman.

Maintaining the status quo will allow it to “build on the momentum it has

gained over the last year in meeting the historic Leap ramp up

requirements and will help ensure the stability of the global CFM supply

chain,” Mrs Jewell said in a statement, referring to the new engine model

that powers both the 737 Max and Airbus A320neo.

Boeing’s 737 final assembly in Renton, south of Seattle, borrows from the

lean manufacturing techniques honed by automaker Toyota Motor Corp. to

churn out more than two planes a day. About 90 per cent of the jetliners

made there this year are expected to be Max aircraft, according to Boeing.

A swift return to normal looks increasingly unlikely for the Max and Boeing.

Engineers are still finishing work on a software update for a stall-prevention

system linked to a Lion Air crash in October and the fatal dive of an

Ethiopian Airlines plane near Addis Ababa last month. The disasters killed

a combined 346 people.

Ethiopian Transport Minister Dagmawit Moges recommended Thursday

that Boeing review its flight-control system after releasing a report that she

says showed pilots had followed proper procedures to counter the flawed

anti-stall system in the plane.

Mr Muilenburg on Friday said he asked Boeing directors to establish a

committee to review “company-wide policies and processes for the design

and development of the aeroplanes we build.” The group, chaired by

Retired Admiral Edmund Giambastiani Jr. will study the safety of the 737

Max and other programs and recommend improvements.

Boeing said April 1 that it would be several weeks before the software

patch for the Max is submitted to regulators. The U.S. Federal Aviation

Administration vowed a rigorous review, while authorities in Europe,

Canada and China plan to do their own analysis.

By establishing a common cause behind the two crashes, the Ethiopia

report eliminates the worst-case scenario for Boeing - a new technical

issue that would’ve made it far more complex for Boeing engineers to find a

solution.

“There now appears to be a sound technical fix,” Douglas Harned, analyst

with Bernstein, said in a note to clients Friday morning. “Timing is still

uncertain, however, with multiple investigations underway. Still, we are now

looking at scenarios we believe can keep 2020-21 free cash flow roughly

the same, even though 2019 will likely see large swings in inventory.”

What about Flydubai?

In the UAE, Flydubai is the local carrier most affected by the ban. It has

grounded all of its 737 Max 8 flights. In a statement, the low-cost carrier

said: “Flydubai is adjusting its schedule to minimise disruption to

passengers and will operate flights with its fleet of Next-Generation Boeing

737-800 aircraft.”

With a fleet of 11 Boeing 737 Max 8 and 2 Boeing Max 9, the low-cost

airline is combining routes to ensure that all destinations previously served

by Max 8 or 9 jets will now be flown by 737-800 NGs.

This has resulted in cancellations, with up to 15 flights per day set to be

cancelled over the next few days. A spokesperson for the company said

the airline would be contacting all affected passengers directly.