Boeing Sticks to Production Plans, Battery for 787

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Boeing is sticking with plans to speed up production of its 787 and sees no reason to drop the troubled lithium-ion batteries at the center of the plane's problems, CEO Jim McNerney said Wednesday.

A fire and emergency landing earlier this month, both involving the batteries, prompted regulators to ground Boeing's newest and highest-profile plane.

All Nippon Airways said Wednesday that it replaced batteries 10 times before the overheating problems surfaced earlier this month. McNerney said airlines have been replacing 787 batteries at a rate that's "slightly higher" than Boeing had expected. They've all been replaced for maintenance reasons, not for safety concerns, he said on a conference call.

Boeing said about 2,000 batteries of all types are replaced every year on its various planes.

U.S. aviation officials said they have asked Boeing for a full operating history of the batteries on the 787s.

McNerney said "good progress" is being made in finding the cause of the problems. But he didn't have a timeline for when the plane would get back in the air.

Boeing would like it to be soon.

The 787 lists for more than $200 million each, although discounts are common. Boeing has said it gets some 60 percent of the purchase price at the time of delivery. So deliveries are important to Boeing's cash flow, even though the planes themselves are money-losers for now because they still cost more to build than Boeing sells them for. Boeing projects that it will eventually break even on the 787.

From the outside, the 787 looks more or less like other planes at the airport. But the guts of the thing are completely different. The body is mostly carbon fiber — sort of a high-tech plastic — rather than aluminum. Electricity powers things on the 787 that would be fed by moving air on other planes. All that new technology took years of engineering to develop.

Boeing hasn't said how much it cost. Barclays Capital analyst Carter Copeland estimated that Boeing spent some $30 billion to $40 billion developing the 787. The whole company is worth about $56 billion. The 787 is "massively important" to Boeing, he said.

"The hope is that the technology will produce a long-tern return that was worth all of the risk," he said. "But any hope of that is dependent on having the program go well from here."

Boeing is still building 787s even though it has halted deliveries to customers. It's on track to ramp up production from five per month now to 10 per month by year end, McNerney said, and still aims to deliver at least 60 of the planes in this year.

He declined to talk discuss the possibility that regulators will require a complex fix that delays the production speed-up.

All big planes — and especially the 787 — are assembled from parts from suppliers all over the world, first into large sections at various facilities in the U.S., and finally by Boeing into a finished airplane. Speeding up or slowing down that process is complicated and takes months or years of advance warning to suppliers.

Asked what the 787 suppliers are being told, McNerney said, "No instructions to slow down, business as usual, and let's keep building airplanes and then let's ramp up as we'd planned."

Investigators are still trying to find out what caused the two battery incidents that grounded the 787. But McNerney said the company has learned nothing that makes him think they made a mistake in picking lithium-ion batteries. The 787 was the first plane to use the batteries so extensively. Boeing liked them because they charge quickly and hold more power than other batteries of the same weight.

The company declined to say how many of the batteries have been replaced. But Japan's All Nippon Airways said it had replaced batteries some 10 times because they didn't keep a charge properly or connections with electrical systems failed. Japan Airlines also said it had replaced some 787 batteries.

Among U.S. airlines, only United flies 787s. United Continental Holdings Inc. spokeswoman Christen David declined to say on Wednesday whether it has replaced batteries on any of its six planes.

Lot Polish Airlines said it had not had problems with the batteries. One of its two 787s remains stranded in Chicago because of the grounding order.

The FAA said on Wednesday that it had not been notified of ANA's battery replacements either by the airline or by Boeing. The FAA requirements are detailed and spell out a number of exceptions. In general they require a report only for malfunctions or defects that cause a serious problem such as a fire or an engine failure.

Boeing said it expects to deliver 635 to 645 commercial jets this year, up from 601 last year. The 46 787s that Boeing shipped to customers in 2012 helped it deliver more planes than European rival Airbus for the first time since 2003. Airbus expects to deliver more than 600 planes this year.

On Wednesday, Boeing reported a 2012 profit of $3.9 billion, or $5.11 per share, last year, a 3 percent decline from 2011. Revenue rose 19 percent to $81.7 billion. It predicted 2013 earnings of $5 to $5.20 per share, with revenue of $82 billion to $85 billion. The outlook assumes "no significant financial impact" from the 787 being out of service. Boeing said it would update its 2013 prediction if the assumption changes.

Shares of Chicago-based Boeing rose 94 cents to close at $74.59.

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