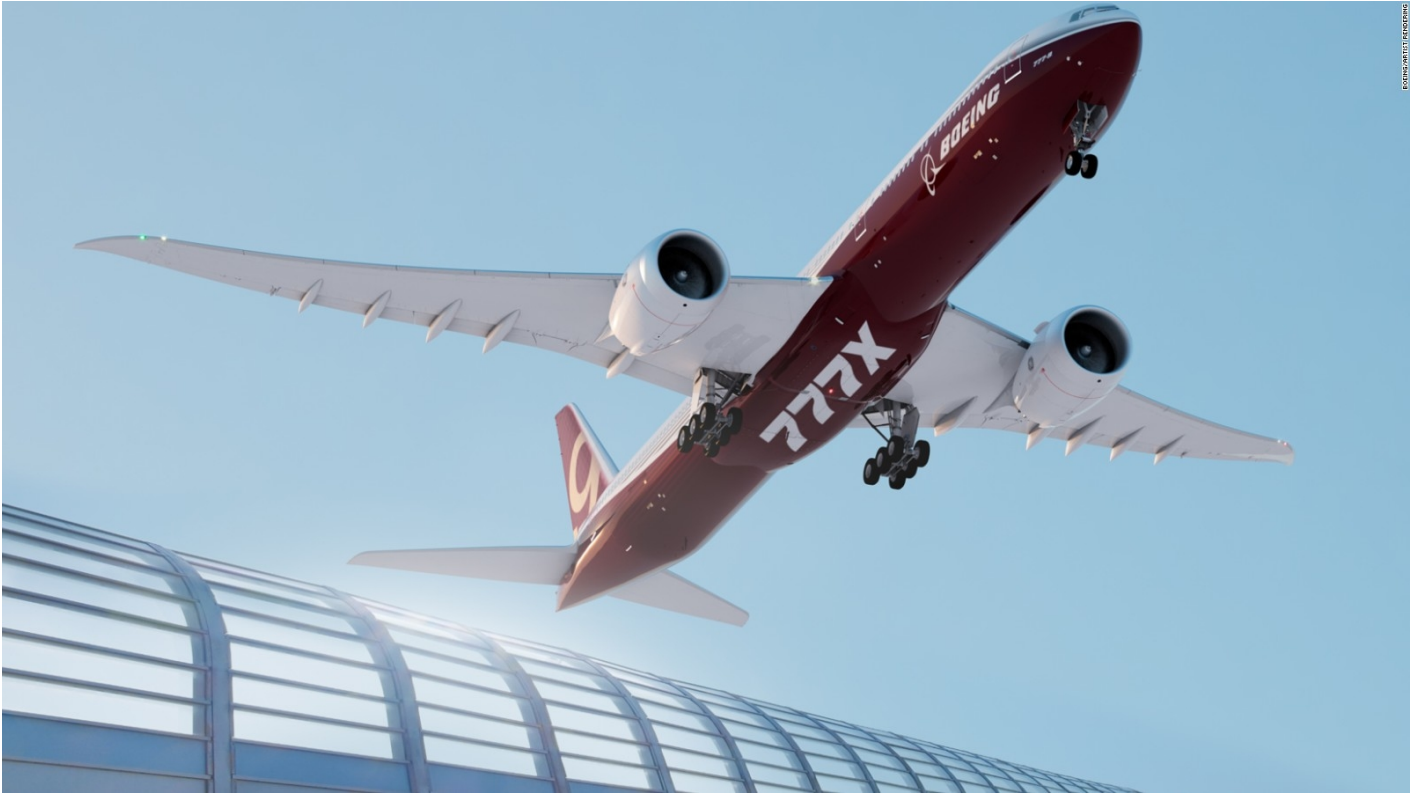




BOEING CO 777X: IS THE TRANSITION WORTHWHILE ENOUGH?

News / Manufacturer



Boeing Co. has been investing heavily in its 777-X and other transition programs, developing new facilities, and signing contracts for the plane's different parts. The strategic decision has forced the aircraft manufacturer to lower its 2016 production guidance as well; it has revised down the outlook from 765 aircraft to a 740-745 range.

The company aims to shift its focus toward its new wide-body aircraft's production, as the industry demand for larger planes is expected to decrease. According to Boeing's 20-year forecast, the total forecasted global demand for airplanes in the next two decades will be 38,050, of which only 8830 will be for the larger aircraft.

The narrow-body aircraft's demand is forecasted to rise, as airline carriers vigorously increase their coverage over short distances, where the smaller-sized aircraft are ideal. According to International Transportation, traffic to, from, and within the US, is estimated to grow at a 3.2% average annual growth rate by 2034 (559 million more than 2014).

Airlines moving towards older planes than new ones

Furthermore, lower fuel prices have encouraged airline carriers to prolong older aircraft's use, which has reduced the newer planes' demand. According to Canaccord Genuity's recent research, carriers had only retired 15 Boeing planes, against 69 in the same period, last year.

In addition, airline carriers prefer to lease older aircraft, due to the lower fuel costs, than buy newer ones, which are more fuel efficient. The older aircraft are relatively cheaper than the newer Boeing planes, and carriers can receive delivery much earlier as well.

Last year, Delta Air Lines CEO Richard Anderson had claimed that the airline had come across a used Boeing-777, which would cost it roughly \$10 million. According to Canaccord, while there would be additional refurbishing costs worth \$30 million, the overall price is still significantly lower than a new Boeing plane, which has a \$371-million list price.

Boeing has also been very aggressive about pricing of the current 777 models to sell slots to fill the bridge in order to smoothly transition into the 777X. This may result in lower 777 deliveries than the previously-targeted seven aircraft per month; thus, it will hurt then company's short-term profits. Canaccord Genuity has downgraded its rating on the aircraft manufacturer's stock from Buy to Hold, primarily due to these reasons.

However, Boeing has already invested a lot of time and money in its transitional projects, and cannot just pack up everything now. The 737-MAX project has already made a successful test-run, and is expected to make its first delivery next year. Likewise, the 777-X project was initiated in 2013, and is expected to take its first delivery in 2020.

Boeing Chooses UTC Aerospace for additional system for 777X

Once again, Boeing has opted to use UTC Aerospace Systems—a subsidiary firm of United Technologies Corporation—for three additional systems in its new 777X-large-twin-engine jet. The subsidiary will now provide for the aircraft's horizontal stabilizer trim actuator, which moves the horizontal stabilizer to trim and stabilize the aircraft in the pitch axis during flight.

The aerospace system manufacturer will also provide Ground Maneuvering Camera System (GMCS) for the new aircraft; it enhances situational awareness for pilots by providing them video and camera views of the main gear, wingtip, and nose-gear areas, in order to help in taxiway maneuvering.

In addition, it will also offer Proximity Sensor Data Concentrators (PSDC), which sense and monitor position of multiple surfaces throughout the aircraft. These include the exterior, interior, thrust reverser doors, as well as the tail position.

Boeing has already awarded multiple contracts for the same aircraft to UTC Aerospace in the past as well. Of these, the system manufacturer will provide fire-overheating protection, cabin air conditioning and temperature-control system, airfoil and cowl ice-protection system, air data systems, electric power-generating system, the complete ventilation system, wheels and brakes, and a suite of sensors for various 777-X functions. The aircraft will compete with rival Airbus Group's (OTCMKTS:EADSY) A350, which already contends with Boeing's 787 Dreamliner wide-body aircraft.

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