DELTA CEO WARNING PROMPTS QUESTIONS ABOUT BOEING 777 PRODUCTION LEVELS

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An airline's warning of a "bubble" in the market for used jetliners shows how vulnerable Boeing Co may be because of slowing sales of its widebody 777 jets, and fueled speculation that it may have to cut the plane's production rate.

Delta Air Lines Inc CEO Richard Anderson said on Wednesday he expects prices for used twin-aisle jets to fall, and that the weakness will spread to single-aisle planes, presenting airlines with "some huge buying opportunities."

Boeing, which is due to report its third-quarter earnings next Wednesday, needs to secure orders for about 200 more 777s, at its current rate of production, before its successor, the 777X, enters service in 2020. Orders for the current generation of 777 aircraft have fallen from 194 in 2011 to 63 in 2014 and just 34 so far this year.

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Boeing, which declined to comment for this article, has repeatedly said it is confident of making the transition to the new model without cutting production.

But some industry consultants and aircraft appraisers see Boeing struggling to achieve those sales and expect it to cut its current 8.3-per-month production rate. That could hurt profits and cash flow as it delivers fewer planes.

"Boeing is going to have to slow down the production rate," said Gueric Dechavanne, a vice president at appraisal firm Collateral Verifications.

Falling prices for used widebody planes, especially Boeing's older 777-200ER, are making new sales more difficult. Prices for 777-200ERs are down about 20 percent over the last year, said Rob Morris, head of consultancy at UK-based Ascend, an aviation appraisal and consulting firm.

Ascend estimates 27 such aircraft are parked and out of service, representing about 7 percent of the global fleet. Around 40 of the aircraft will be available on the market within the next 12 months, the firm predicts.

"Availability has increased, while demand is weak," Morris said. Some of Airbus's A330 long-haul jets also face slower demand. That is partly because of interest in a fuel-efficient successor, known as the A330neo and due out in 2017. But Airbus believes it has adjusted for this by twice cutting planned production rates. Airbus declined to comment.

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