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Boeing reports another loss due to widebody 787 woes

Calhoun declined to offer a timetable for resuming 787 deliveries

NEW YORK: Boeing reported a hefty fourth-quarter loss Wednesday as mounting costs connected to the widebody 787's woes more than offset a boost from the comeback of the 737 MAX after a lengthy grounding. The US aviation giant reported a total of \$3.8 billion in one-time expenses associated with compensating airlines for delayed deliveries of the 787 and more costly production processes. Those costs were the biggest factor in a larger-than-expected quarterly loss that also pushed Boeing into the red in 2021 for the third straight year.

Chief Executive David Calhoun described 2021 as a "rebuilding year," noting the progress on the 737 MAX, the narrow-body jet that was grounded for 20 months following two fatal crashes. The 787's current travails date to late summer 2020, when the company uncovered manufacturing flaws with some jets. Boeing subsequently identified additional issues, including with the horizontal stabilizer.

The difficulties curtailed deliveries between November 2020 and March 2021. Boeing suspended deliveries again in May after more problems surfaced. Calhoun declined to offer a timetable for resuming 787 deliveries. "On the 787 program, we're progressing through a comprehensive effort to ensure every airplane in our production system conforms to our exacting specifications," he said. "While this continues to impact our near-term results, it is the right approach to building stability and predictability as demand returns for the long term."



Boeing prepared to commence deliveries in 2023

MAX comeback

For the quarter Boeing reported a \$4.1 billion loss as revenues fell 3.3 percent to \$14.8 billion. Boeing reported an annual loss of \$4.2 billion, compared with a loss of \$11.9 billion in 2020. Boeing also suffered an operating loss in its defense, space and security business following \$402 million in one-time costs on the KC-46A tanker program. The tanker costs are primarily due to shifting customer preferences and supply chain disruptions due to COVID-19, a Boeing spokesperson said.

The difficulties with the 787 dampened Boeing's momentum as the airline industry recovers from a devastating slump due to COVID-19. In another positive, though, Boeing has resumed deliveries of the 737 MAX, which was grounded for 20 months following two deadly crashes.

The company also has cheered a decision by Chinese authorities to approve the return of the MAX, although it has yet to resume deliveries to Chinese carriers. On a conference call with analysts, Boeing executives said they were prepared to commence deliveries in 2023 but that it will depend on customers. Chinese carriers "are warming up the planes they already have," said Calhoun, adding that deliveries of new planes would follow. Boeing has also seen an uptick in orders for commercial jets and cargo planes.

'Conformance' issues

Calhoun told CNBC that it has made "significant"

platforms for most models—adding a new platform in 2024 to the existing four—as it ploughs 23 billion euros (\$25.7 billion) into its EV strategy.

Some of the headline figure had already been announced by each company, but it marks the first concrete target set collectively by the trio since the reorganisation of top executives at Japan's Nissan and France's Renault. That restructuring was triggered by the saga surrounding the 2018 arrest of former Nissan boss Carlos Ghosn, which exposed rifts in the alliance.

"Three years ago, the alliance was experiencing a crisis unprecedented in its history based on a lack of trust," alliance chair Jean-Dominique Senard told reporters. But "this period belongs to the past" and the partnership is "stronger than ever" due to solid foundations and flexible cooperation, he said.

"Together, we are making the difference for a new and global sustainable future," Senard added in a statement. To achieve its goals, the alliance said it aimed to increase cooperation on common platforms from 60 percent to 80 percent of its models

some \$20.5 billion of which it took in during the final three months, according to its earnings report. Profit in the quarter was \$4.6 billion, however, in a 21 percent decrease from the same period a year earlier.

Profit for 2021 totaled \$19.9 billion, about five percent less than the net income in the prior year. Last year was marked by "unprecedented demand tempered by supply chain constraints" that are expected to continue through this year into next year, Gelsinger said during an earnings call.

A global computer chip shortage has afflicted a broad array of industries from smartphones and laptops to cars and home appliances. US chip giant Intel finds itself at the heart of this phenomenon, benefiting from heightened demand but facing challenges producing ever more sophisticated semiconductors driving modern devices.

"The rate of growth will depend on our equipment capacity, operational efficiency and the capacity and stability of the supply chain," Tesla said. "Our own factories have been running below capacity for several quarters as supply chain became the main limiting factor, which is likely to continue through 2022."

Musk said he was heartened by announced new semiconductor capacity that should alleviate the imbalance by the end of 2022 or early 2023. But "there could be other issues" that surface this year, he said during a conference call with analysts and investors.

Musk cited the supply chain issues as a factor in a decision to defer rollouts of new products this year, adding that the company will do engineering of its "Cybertruck" electric pickup with an eye towards a possible launch in 2023.

"The fundamental focus of Tesla is scaling vehicles," Musk said, adding that had the company introduced new models in 2021, it would have resulted in lower overall production. Musk has previously also discussed introducing a \$25,000 electric vehicle, but said that product too was not on the front burner.



EVERETT, Washington: File photo taken on December 15, 2009, Boeing's new 787 Dreamliner taxis ready for take off at Paine Field in Everett, Washington. — AFP

progress on the 787 but "we can't rush it." "We are working through real conformance issues. Not safety issues, conformance issues," he told the network. "Meaning that the airplane is built exactly and precisely according to the engineering drawings."

Boeing did not offer a timetable for resuming deliveries amid ongoing talks with the Federal Aviation Administration. The company said it is currently producing the jet "at a very low rate." Boeing doubled its estimates for total "abnormal costs" associated with the 787 problems to \$2 billion after concluding in the fourth quarter that the issues "will

take longer than previously expected" to resolve.

Peter McNally, an analyst at Third Bridge, described Boeing's quarter as "turbulent," noting that the issues with the 787 "are dragging into 2022 with major financial consequences," he said in a note. "The company continues to lose ground to its primary competitor, Airbus," McNally said.

"However, there have been some bright spots as underlying demand for travel has picked up. Boeing is booking new orders for customers and the balance sheet has started to move in a more positive direction." Shares fell 4.8 percent to \$194.27. — AFP

Nissan alliance to invest \$25bn in electric vehicles

TOKYO: The Nissan auto alliance said yesterday it will invest more than \$25 billion in electric vehicles over the next five years, marking the latest massive cash injection into the fast-growing sector by the auto industry. Nissan, Renault and Mitsubishi Motors said the latest outlay followed \$11 billion already spent on its "offensive strategy in electrification", promising 35 new electric models by 2030.

Major global carmakers are increasingly prioritising electric and hybrid vehicles as concern about climate change grows. At present, around 10 percent of European car sales are EVs, but the US figure is just two percent. The alliance vowed to boost cooperation by using five common manufacturing

Intel sales hit record on chip demand

SAN FRANCISCO: Intel on Wednesday said 2021 was a record year for sales at the chip maker as it navigated unprecedented demand and supply chain constraints. The US-based firm also saw costs rise and margins shrink as it shifted to a more sophisticated line of semi-conductors, analysts noted. "The fourth quarter represented a great finish to a great year," said Intel chief executive Pat Gelsinger.

Intel revenue for last year tallied \$79 billion,

Tesla reports record profit, sees more supply chain woes

NEW YORK: Tesla rode rising demand for electric vehicles to a record \$5.5 billion profit in 2021, but Elon Musk's company cautioned Wednesday that supply chain problems would continue to crimp production through 2022. The electric carmaker, which scored an 87 percent jump in auto deliveries last year in spite of the global semiconductor shortage, reported a 71 percent rise in revenues to \$53.8 billion.

But Tesla said it saw no immediate relief from supply chain woes that have hit activity "for several quarters," it said. "We plan to grow our manufacturing capacity as quickly as possible," it said in a news release that reiterated the company's target of 50 percent annual growth.



YOKOHAMA, Japan: File photo taken on March 12, 2019 shows a logo showing Renault, Nissan and Mitsubishi. — AFP

by 2026. The trio also announced a target of reaching a total EV battery production capacity of 220 Gigawatt hours by the end of the decade, with Nissan tasked with leading the development of solid-state battery technology. As demand grows for less polluting vehicles and pressure grows to reduce the auto industry's role in climate change, major automakers are announcing targets to gradually phase out fossil fuel-powered vehicles. — AFP

Intel has invested heavily in semiconductor production in the United States and Europe over the past year, with a recently announced strategy that relies on expanding in-house manufacturing and increased use of subcontracted factories. US lawmakers were studying proposals Wednesday to jumpstart high-tech research and manufacturing, boost competition with China and ease a global shortage of crucial computer chips.

The House Democrats' "America Competes" bill, unveiled late Tuesday, is their version of the Senate's \$200 billion US Innovation and Competition Act, aimed at addressing supply bottlenecks. US President Joe Biden has praised Intel's plans to spend \$20 billion on a new US semiconductor facility, hailing the "historic" investment even as a global chip shortage fans the inflation wave weighing on his leadership. — AFP



Elon Musk

"We have too much on our plate," Musk said.

In the most recent quarter, Tesla scored a \$2.3 billion profit, up more than eight times the year-ago level as revenues jumped 65 percent to \$17.7 billion. Tesla has been ramping up production at factories in California and Shanghai, while also building new facilities in Germany and Texas. — AFP

EasyJet halves first-quarter loss despite Omicron

LONDON: British airline EasyJet slashed losses by half in the first quarter, despite the emergence of the Omicron coronavirus variant which disrupted the travel industry, the company said yesterday. Pre-tax losses stood at £213 million (\$288 million, 255 million euros) in the three months to the end of December, after a £423 million loss in the same period of the group's previous financial year, the no-frills carrier said in a statement.

Revenues jumped almost fivefold to £805 million in the reporting period, while cost-cutting helped offset the impact of inflation. "EasyJet produced a significant year-on-year improvement in the first quarter, despite the short-term impact of Omicron in December, halving losses," said Chief Executive Johan Lundgren.

"During the pandemic, EasyJet has transformed many areas of the business including optimising its network and flexibility and finding sustainable cost savings. This is helping partially offset inflationary pressure." The spread of the Omicron variant in December did hit travel bookings, but they were subsequently boosted by the UK government's recent decision to scrap COVID travel testing.

"Booking volumes jumped in the UK following the welcome reduction of travel restrictions announced on 5 January, which have been sustained and then given a further boost from the UK government's decision earlier this week to remove all testing requirements," said Lundgren. "We believe testing for travel across our network should soon become a thing of the past."

'Strong summer ahead'

The airline, which is based in Luton north of London, now expects to return to near pre-pandemic capacity levels in the upcoming summer holiday season between July and August. "We see a strong summer ahead, with pent-up demand that will see EasyJet returning to near-2019 levels of capacity with UK beach and leisure routes performing particularly well," the CEO added.

The UK government had in December reimposed stricter travel rules-including mandatory pre-arrival tests and self-isolation until travellers had tested negative-after a surge in cases due to Omicron. However, the travel measures were eased earlier this month, as Prime Minister Boris Johnson argued they were having a "limited impact" while imposing "significant costs" on the industry.

On Monday, the government announced that it will scrap compulsory COVID tests from February 11 for fully jabbed arrivals and quarantine for unvaccinated travellers. Currently, fully vaccinated arrivals are required to take a lateral flow test within two days, while those not jabbed must self-isolate for 10 days and take several tests before and after travel. — AFP