Boeing Announces Product Strategy Decisions

Following several months of careful market analysis, the Boeing Commercial Airplane Group today announced decisions regarding the company's product strategy for jetliners produced by its Douglas Products Division.

"Our product decisions are driven by the marketplace and our commitment to increasing shareholder value over the long term," said Ron Woodard, president of Boeing Commercial Airplane Group.

Following are the results of the product strategy review:

MD-11 Trijet

Boeing will continue to offer the MD-11 trijet in both freighter and passenger versions, although Woodard said the largest market for the airplane is as a freighter, where it is well-placed between the 767 Freighter and the 747 Freighter. "While we will build passenger MD-11s, we'll focus our marketing efforts on the MD-11 Freighter," Woodard said.

As of Sept. 30, 1997, there were 19 unfilled announced orders for the MD-11, which is being produced at the rate of one per month.

MD-80 and MD-90 Twinjets

Boeing will continue to produce the MD-80 and MD-90 twinjets until approximately mid-1999, when current production commitments end. "Our market assessment, including recent order history, indicates that there does not appear to be sufficient market demand to warrant extending production of those models beyond that point," Woodard said.

Currently, the MD-80 and MD-90 are being produced at a rate of four per month. There are 13 unfilled announced orders for the MD-80 and 91 for the MD-90.

"Of course, our MD-80/-90 customers, with 1,200 airplanes in service overall, can expect the same level of long-term, world-class Boeing support that the company provides for all of its airplanes, whether they are in or out of production," added Woodard.

In addition, Woodard said Boeing is committed to working with China to ensure that the MD-90 Trunkliner program is a success. As part of that program, China has contracted to build 20 airplanes between 1998 and 2000.

"While we do not have contractual arrangements beyond this program, we are reviewing -- along with our Chinese partners -- possible future Trunkliner collaboration," Woodard said.

MD-95 Twinjet

Boeing is committed to build the 50 MD-95s ordered by launch customer AirTran, with first delivery scheduled for mid-1999. "We're excited by the potential of the MD-95 as the newest and smallest member of the Boeing family of airplanes," Woodard said, "and we're working with customers to determine whether there is a market for a family of MD-95 derivatives."

However, Woodard emphasized that Boeing has not made a decision about the long-term future of the airplane.

"Production beyond the launch order of 50 airplanes -- as well as any development of MD-95 derivatives -- will depend on reducing the cost of producing the airplane," he said. "Over the next several weeks, we'll be discussing this issue with our partners and suppliers on the MD-95 program. We'll make a final decision on the program's future once we conclude those discussions."

Woodard said the company is focused on providing answers about the impact of these product strategy decisions on employees and suppliers who work on these airplane programs.

"We realize that everyone will want to know how these decisions will affect them personally," said Woodard. "We want to provide them with clear answers about the future just as soon as possible."

Currently, there are about 10,500 employees at the Douglas Products Division facility in Long Beach, California, where the MD-80, MD-90, MD-95 and MD-11 are assembled. Another 2,000 employees produce airplane wings at a plant in Toronto, Canada; 525 employees build twinjet fuselage sections at a plant in Salt Lake City, Utah; and approximately 170 employees build airplane parts at a facility in Melbourne, Arkansas.

Woodard noted that the product strategy decisions announced today are one step in an ongoing operating review of all of the

Group's sites and capabilities to make the most productive use of the available resources in the longer term. The results of that review should be completed by January. The total financial implications of the Douglas Products Division decisions will be incorporated in the broader operations decisions and will be included in the fourth-quarter 1997 operating results. These decisions are expected to result in the write-off of certain program assets, related valuation adjustments and other restructuring charges.

McDonnell Douglas Overall Market Share 1972-1996
McDonnell Douglas Market Share: Medium-Size Single Aisle Airplanes

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