Boeing Announces Phase-Out of MD-11 Jetliner Program

After months of assessing future sales prospects for the MD-11 jetliner, Boeing Commercial Airplane Group (BCAG) has determined that there is not sufficient market demand to warrant continued production beyond the current order base. Consequently, MD-11 production will be phased out with the delivery of orders now on hand, with the last delivery scheduled for February 2000.

As of April 30, 1998, there were 22 commitments for MD-11s, including firm orders, options and reserves.

"Despite our best marketing efforts, it became clear to us that there simply was not enough customer interest in either the passenger or freighter versions of this airplane to justify keeping the production line open," said BCAG President Ron Woodard.

"Since our last MD-11 market forecast in November, demand for new MD-11 passenger and freighter aircraft has declined," Woodard said.

The decision to discontinue MD-11 production at the end of the current order base will not result in a separate "special charge." Certain MD-11 program asset and liability valuation adjustments, however, are expected to be included in second-quarter operating earnings.

"We will now turn our attention to completing production of the airplanes on order with the high quality our customers expect; and we will continue to provide world-class support to all MD-11 operators as long as the airplanes are in service," Woodard added.

Approximately 3,750 Boeing employees work on the MD-11 program. About 3,000 employees work on the program at Long Beach and 600 employees manufacture MD-11 wings at the facility in Toronto, Ontario. Another 75 employees in Salt Lake City and 75 employees in Melbourne, Ark., also support the program.

"I realize this is a painful decision for the many employees who have worked long and hard on the MD-11," Woodard said. "We will be producing the airplane for another 18 months and we'll use that time to explore opportunities for alternative work for these employees. But ultimately we will have to lay off employees for whom we do not have work."

Last November, BCAG announced the phase-out of the MD-80/MD-90 twinjet program, with final delivery scheduled for January 2000.

"This MD-11 announcement is not a signal that we are closing the Long Beach facility," Woodard said. "We have a skilled and experienced workforce there and our newest airplane - the 717 - will roll out of the Long Beach factory next week. We're also using the facility for finishing work on 737s. In addition, we're considering establishing a Next-Generation 737 production line there to assemble Boeing Business Jets, 737-700Cs and perhaps other versions of the airplane."

The majority of the employment impact on the MD-11 program in Long Beach will not be felt until mid-1999. Other sites and external suppliers that support the program will begin feeling the impact earlier.

Woodard said the company intends to place additional work at the Salt Lake City facility, but has not determined the final work package for the plant. He also said the company is looking at the possibility of placing additional temporary work in its Toronto, Ontario facility. The company is reviewing its options for the Melbourne, Ark., facility but has not made any decisions.

The company announced earlier this year that it intended to transfer in excess of 1,000 employees who perform customer support and other functions at Douglas Products Division from Long Beach to the Seattle area. Woodard said that BCAG has since decided not to relocate most of those employees at this time in order to minimize cost and disruption. Consequently, BCAG will continue to provide customer support for MD-series aircraft from Long Beach.

The MD-11 was launched in 1986 and completed its first flight on January 10, 1990. The aircraft entered service in December 1990. As of April 30, 1998, 178 MD-11s had been delivered in four versions: passenger; freighter; convertible freighter; and "combi." Prior to that, 446 DC-10s - the predecessor to the MD-11 - had been delivered, including 60 to the United States Air Force as KC-10 tanker/cargo aircraft.

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