# Boeing Turns Around With New Orders, Planes

Joshua Freed, Samantha Bomkamp, AP Airlines Writers

Boeing is starting to fly right.

An Indonesian airline's commitment to buy $21.7 billion worth of new planes is the latest good news for the company after a year when some things could have gone better.

Earlier this week, Emirates Airlines ordered $18 billion worth of 777s. Both deals come shortly after Boeing finally began delivering its two newest planes, the next-generation 787 and the latest version of the iconic 747.

Just a year ago, the outlook was dicier.

The new 787 was already running nearly three years late when an electrical fire on a test plane in November 2010 forced it to suspend flight tests. The revamped 747 was running late, too. And Airbus announced plans to put a new engine on its A320, making the plane more fuel efficient and a more potent competitor to Boeing's 737.

The Airbus move forced Boeing to switch gears and offer a new-engine version of its 737 rather than build an all-new plane as it had originally expected to do.

Boeing needed some successes, and it found them in Asia and the Middle East, where rising wealth is turning more people into travelers.

Boeing expects demand for 11,450 planes in the Asia-Pacific region over the next 20 years, more than in any other part of the world. That number includes planes made by Boeing and competitors such as Airbus and new entrants into the market. Airbus has already booked 1,268 firm orders for its A320neo, so named for its "new engine option."

The commitment by Indonesia's Lion Air announced on Thursday is for 230 Boeing 737s. Lion Air also has options for 150 more planes, valued at $14 billion, bringing the deal's total potential value to $35 billion.

The order would be Boeing's largest ever in terms of both volume and dollars.

"This order is a big deal," RBC Capital Markets analyst Robert Stallard wrote in a research note to clients. The deal "gives a meaningful boost to Boeing's backlog."

Most of the planes are the 737 Max, a new version of Boeing's most popular plane with more fuel-efficient engines. It won't be delivered to its first customer until 2017. Boeing has said it has about 600 commitments for the 737 Max.

But the Lion Air deal is not a certainty. The airline still has to finalize the order, and

it's struggling. The Jakarta Post reported in August that Lion Air was ordered to ground 13 planes so it would have more in reserve because it had too many late flights.

"There's always a risk that a deal's going to fall through," Citi analyst Jason Gursky said. "It's a brutal industry, and when we go through periods of slower economic growth, there will be failures. It's Boeing's job to pick the winners and losers. But I think they're pretty agnostic right now as to who they sell to."

Gursky said Boeing went on "order holiday" in 2011 because it didn't have a product to sell. That has changed now that it decided to put a new engine on the 737. He expects Boeing's deliveries to increase by 27 percent next year, compared with a 9 percent increase at Airbus.

"That's why we think this year is going to be the year of Boeing," he said.

Even before Lion Air announced its plans, Boeing has been ramping up production to try to meet demand for the 737 as well as the 777, a larger plane used mostly on international routes. It already has a backlog of 2,191 737s that have been ordered by airlines around the world but not yet built.

Boeing already completes about one 737 every day in Renton, Wash. It is raising that to 42 per month in 2014. It has not yet said whether the 737 Max will be assembled in Renton or somewhere else, perhaps in South Carolina, where it is opening a second assembly line for its new 787.

Boeing already employs some 80,000 people in Washington state. Gursky, the analyst, has written that the biggest risk to Boeing's planned rate increases appears to be its ability to hire the thousands of new workers it will need.

Lion Air already has orders for 125 more Boeing 737-900ERs. Its fleet currently stands at 73 planes, according to Airfleets.net. Sixty-five of those are Boeing 737s.

Also Thursday, Boeing said that aircraft leasing company Aviation Capital Group had ordered 20 of its 737-800s and committed to buy 35 of the planned 737 Max.

Shares of Chicago-based Boeing fell 25 cents Thursday to close at $66.09.

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