Boeing Defends Dreamliner, Safety Questions Remain

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Boeing's 787 is supposed to revolutionize air travel. It just needs to get out of its own way first.

The new plane is undoubtedly Boeing's most visible. It's built from composites instead of aluminum and comes with the promise of the most comfortable ride in the sky. At $200 million each, 787s are an important part of Boeing's future, even though it will be a while before it makes money on them.

But this sophisticated piece of transportation wizardry hasn't been behaving as designed. Just this week one caught fire, and another suffered a fuel leak. The 787 was delayed for three years, so Boeing's investors and customers notice each time one has a problem. Boeing asserts such growing pains are typical for new models.

The 787's chief engineer said Wednesday that he has "extreme confidence" in the Dreamliner — Boeing's nickname for the plane — even as federal investigators try to determine the cause of the fire on board an empty, parked Japan Airlines plane on Monday in Boston. Officials have said one of the plane's lithium ion batteries burned.

The 787 is the first Boeing plane to use lithium ion batteries, which charge faster and can be molded to space-saving shapes compared to other airplane batteries. The liquid inside them is flammable, putting the battery at more risk for a fire than previous airplane batteries, the Federal Aviation Administration has found.

After Monday's fire, the big question for Boeing will be whether the issue is a manufacturing defect, which can be fixed relatively cheaply, or a design flaw, which might require expensive redesign and rework on existing planes, said Citi analyst Jason Gursky.

Boeing has delivered 50 of the 787s, starting in late 2011. It has almost 800 more on order. To get through the backlog, Boeing is ramping up production to build 10 787s per month in Washington state and South Carolina by the end of 2013. By comparison, it cranks out more than one 737 every day. The 737 is Boeing's best-seller, and the company has been building the smaller plane for decades.

In November, Boeing said it had begun making five 787s per month. But if any major manufacturing changes are needed to fix the electrical problems, the company could fall further behind in deliveries.

New planes like the 787 take years — and hundreds of millions of dollars — to develop. The roots of the 787 go back to 2003. Boeing has not said how much the

research cost. It has estimated it will need to deliver 1,100 of them to break even by some accounting measures.

"It's definitely the most expensive plane program that they've ever developed," Gursky said.

No customers have canceled a 787 order following the fire, and several airlines have been reported saying they are confident in the plane.

"If airlines are worried, they sure aren't showing it," said Oppenheimer analyst Yair Reiner in a note to clients.

Investors rallied behind the company Wednesday, sending shares up by 3.5 percent to $76.74. That followed a two-day drop of 4.6 percent. Boeing shares had gained 11 percent in the three months prior to Monday as investors anticipated a growing flow of cash from Boeing's faster production of its big planes.

Besides the fire, another Japan Airlines plane leaked 40 gallons of fuel at Boston Logan on Tuesday. The airline said an open valve caused one tank to overflow through a vent. Last month a United Airlines 787 flying from Houston to Newark, N.J., diverted to New Orleans because of an electrical problem with a power distribution panel.

Japan's All Nippon Airways, meanwhile, said it cancelled a domestic flight to Tokyo on Wednesday after a computer wrongly indicated there was a problem with the Boeing 787's brakes.

Boeing insisted on Wednesday that the 787's problems are no worse than what it experienced when its 777 was new in the mid-1990s. That plane is now one of its top-sellers and is well-liked by airlines.

"Just like any new airplane program, we work through those issues and move on," said Mike Sinnett, the 787 chief engineer. He added, "We're not satisfied until our reliability and our performance are 100 percent."

Sinnett didn't say so, but other new planes have had their own issues, including the Airbus A380 superjumbo. Small cracks have been discovered on the wings, and in 2010 a Rolls Royce engine on a Qantas flight exploded in mid-flight.

He said the nature of lithium ion batteries means no fire extinguisher system will stop them from burning once they start. The NTSB said it took firefighters 40 minutes to put out Monday's fire.

Sinnett said Boeing has no plans to replace the lithium ion batteries with another type. If he had to re-do the choice to go with lithium ion, he said, he'd make the same choice today.

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