

EDITORIAL **editorial**

Build it. They will come.



By Geoffrey Thomas

"Not everything that can be counted counts, and not everything that counts can be counted."—Albert Einstein

As the Boeing board of directors gathers this month to ponder the launch of the 7E7, the company's first new commercial program in 13 years, some are expected to argue in favor of "shareholder value" by making a convincing case for more derivatives. Their financial models may look sound on paper and the numbers may add up, but many aspects of building a successful commercial aircraft program, and the subsequent flow-on, cannot be counted in dollar terms alone.

The most widely sold piston-engine commercial aircraft in history, the DC-3, was built on a commitment for 20 made over the phone between two close friends, Donald Douglas and C.R. Smith. The flow-on from this program—which revolutionized air travel—built a dynasty that would last for decades.

Some 30 years later, in 1952, William Allen invested \$16 million in the Dash 80. He had no orders, just a gut instinct that he could snare the lucrative USAF tanker business and steal a march on his competitors for a jet transport if he had an aircraft flying. Boeing not only snatched the lead but dominated commercial aviation for more than four decades.

Ten years on, Douglas, again on a gut feeling, launched the company's most successful jetliner, the DC-9, without an order, although there were some commitments in the wings.

Successful commercial aircraft programs are all about seizing the initiative with technical innovation that translates into promises of lower operating costs and greater creature comforts. When Boeing launched the 747 in 1966, Douglas pointed out that airlines could purchase two Super DC-8s for less than one 747. The problem was that the carriers had to have the 747 in order to compete with Pan Am. The DC-8 line closed within six years.

Little has changed since then. Airbus seems to understand this reality. It has pressed forward with the A380 and in doing so apparently has slammed the door on

future 747 derivatives. It has done this because it believes in its vision of the future despite the naysayers and doubters.

Now Boeing is in a similar position. For years the company has been touting its vision of a future in which nimble operators bypass congested hubs with long-range, point-to-point service. With Airbus financially committed to the A380, Boeing has a window of opportunity to go to the market with an aircraft that embodies everything it has been preaching about further market fragmentation and a perfect stable-mate to the 777. The challenge for its board is threefold: To approve a new aircraft in a very soft market, possibly without a US Major airline onboard; to trust the company's marketers and sales team to sell it, and to have faith in its engineers to build it. In short Boeing must believe in itself once again.

The US manufacturer has prospered on a "can do" attitude and many will remember the banners hanging in the 747/767/777 assembly halls that proclaimed, "We are the Remarkables." There are deeper issues than just launching a new aircraft that cannot be counted in dollars. For Boeing, preserving market credibility and retaining its engineering talent may be at stake. It has pulled back from launching several models recently and as a result it may risk being viewed as being on the same path that Douglas Aircraft took after its purchase by McDonnell Corp. When Harry Stonecipher, now on the Boeing board, in 1997 scrapped the MD-XX, Douglas's last grasp at the commercial market, he cited the fact that it would take tens of billions of dollars in investment to rectify the company's neglected product line.

The launch of the 7E7 may mean the difference between staying in the commercial business and ceding a distinct advantage to Airbus. Thus there is a lot to consider and count when evaluating the pros and cons of the 7E7 program; this is an investment in the future of Boeing's commercial programs. Without it, the company's credibility in some airline boardrooms will be in serious doubt. You can count on that.