The high price of cost-cutting

A compelling account of Boeing's two 737 Max plane crashes indicts an entire era, writes *Michael Skapinker*

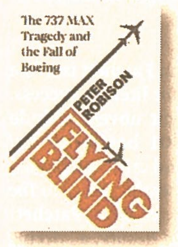
When Boeing merged with McDonnell Douglas in December 1996, it seemed clear who the winner was. The enlarged US aerospace and defence giant would be called Boeing. Its headquarters would be in Boeing's home town of Seattle. Philip Condit, Boeing's chief executive, would head the merged company. Harry Stonecipher, McDonnell Douglas's head, would take the more junior role of president and chief operating officer. Two-thirds of the board would be Boeing executives. Billed as a merger of equals, it was anything but. My article, as the FT's then-aerospace correspondent, was headlined "Boeing the boss despite brave faces".

In *Flying Blind*, Peter Robison, a journalist with Bloomberg News, argues that the opposite happened. McDonnell Douglas executives, headed by Stonecipher, introduced a cost-cutting, profit-at-all-costs, shareholder-pleasing mentality. That led, under subsequent Boeing leaders, to a disregard for passenger safety that culminated in the most catastrophic events in Boeing's more than century-long history: two crashes, in 2018 and 2019, of new Boeing 737 Max aircraft, flown by Lion Air of Indonesia and Ethiopian Airlines respectively, resulting in the deaths of 346 people.

Boeing was disgraced by the subsequent investigations. In its determination to get the 737 Max out of the factory door at the lowest cost, it had ignored warnings the plane wasn't safe. In the presence of the bereaved relatives, US legislators from both sides of the aisle united during hearings to castigate a one-time beacon of American industry.

Behind the 737 Max problems lay Boeing's bitter battle with Airbus. The European manufacturer's A320 was seen by many airlines as superior to existing 737 models. To Boeing, this was an unacceptable reverse. The original Boeing 737s, first introduced in the 1960s, kept the world aloft. Before the Covid-19 travel shutdowns, a Boeing 737 was taking off or landing somewhere every 1.5 seconds.

A complete replacement for the older 737s would have required an estimated $20bn to develop. Instead, Boeing upgraded the existing model, with costs put at just $2.5bn. The Max would have bigger, more fuel-efficient engines which, because the 737 was so low-slung, would have to be mounted forward on the wings. This tended to tilt



Flying Blind: The 737 Max Tragedy and the Fall of Boeing
by Peter Robison
Doubleday $30/
Penguin Business
£20, 327 pages

the plane upwards in flight, which could have made it stall, so Boeing installed some software, activated by a single sensor, to force the aircraft's nose down.

Boeing persuaded the US Federal Aviation Administration that pilots on existing 737s required no simulator training to fly the 737 Max. When Lion Air asked for simulator training anyway, Boeing talked them out of it. One Boeing pilot, charged with writing the aircraft manuals, was disturbed by his own experience of the 737 Max in the simulator. When the software kicked in, he had struggled to control the plane. "I'm like, WHAT?" he emailed a colleague. But Boeing omitted any mention of the software in the manual, except in the glossary.

How did the plane win regulatory approval? Robison details the history of the FAA's capture by Boeing, a process that began with instructions from the Clinton and George W Bush administrations that the agency be more business-friendly. Boeing was effectively allowed to ratify its own safety, with FAA officials reporting to them rather than the other way around.

The most affecting parts of this book are Robison's portraits of those bereaved by the subsequent crashes, and their battle for accountability from a company that tried to pin the blame on foreign pilots' incompetence.

Robison makes a convincing case for McDonnell Douglas's cultural takeover of Boeing; Stonecipher, an intimidating bear of a man, replaced Condit, before himself being fired over explicit emails he sent to an employee he was having an affair with. But Robison has a tendency to idealise the pre-merger Boeing which, he says, had "perfectionism in its DNA". He writes that Boeing's factories seized up in 1997, while the company was trying to ramp up production, because managers had been distracted by the merger. In fact, Boeing's parts acquisition and design had been a mess for years, relying on a mix of paperwork and 400 separate computer systems. Even before McDonnell Douglas came along, Boeing executives underestimated Airbus, dismissing any suggestion that they had something to learn from their rival.

That apart, this is a compelling, deeply reported account, written in crisp, controlled anger. It is an indictment not just of one of America's most celebrated companies, but of an entire era: of politicians believing business knew best, of regulators bending to their will, and of shareholder returns elevated above any consideration for the rest of society, including consumers' safety — and lives. Only when the pandemic is over and business, and flying, fully resume, will we find out how much we have learnt.

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