

Boeing to start 737 Max production on new assembly line July 6, says CEO Kelly Ortberg

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MEETING FAA REQUIREMENTS TO INCREASE PRODUCTION OF THE SEVEN THREE MAX. OUR PHIL LEBEAU JOINS US THIS MORNING IN A CNBC EXCLUSIVE WITH THE CEO. HEY, PHIL. >> HEY CARL KELLY CEO OF BOEING HERE AT THE RENTON PLANT WHERE YOU BUILD 737 MAX. YOU'RE MOVING UP TO 47 PER MONTH. PEOPLE ARE GOING TO SAY, ARE YOU READY? AND ARE YOU READY WITH THE NEW ASSEMBLY LINE UP IN EVERETT? YEAH. WELL, SO WE ARE READY. WE WENT THROUGH A PRETTY EXHAUSTIVE EFFORT TO GET READY AND TEST THE SYSTEM. AS YOU MENTIONED, WE'RE JUST NOW MOVING FROM 42 TO 47 HERE IN RENTON IN THE NORTH LINE, WHICH IS IN EVERETT. WE'RE ADDING ANOTHER PRODUCTION LINE. IT'S REALLY A CARBON COPY OF WHAT YOU SEE HERE IN RENTON. AND WE'LL BE LOADING OUR FIRST AIRPLANE ON JULY 6TH. SO JUST ABOUT A MONTH FROM NOW, WE'LL BE BRINGING THAT FIFTH LINE ALIVE.

>> THAT IS THE LINE. >> THAT ALLOWS YOU TO GET UP TO 52 PER MONTH. THAT'S LIKELY, WHAT, EARLY NEXT YEAR, MID NEXT YEAR? WELL, WE HAVEN'T SET AN EXACT DATE. IT'S SOMETIME LATE TOWARDS THE END OF THIS YEAR, EARLY NEXT YEAR. WE'LL MOVE WHEN THE PRODUCTION SYSTEM SAYS WE'RE READY TO MOVE. AND YOU'RE RIGHT. WE WANT THE 50, THE RATE OR THE NORTH LINE TO BE UP AND RUNNING TO SUPPORT THE RATE INCREASE FROM 47 TO 52. WE'VE HAD A CHANCE OVER THE LAST COUPLE OF DAYS TO TALK WITH SOME OF YOUR WORKERS HERE IN RENTON AND ALSO UP IN EVERETT.

AND THERE'S A CAUTIOUS OPTIMISM, IS WHAT THEY SAY WHEN IT COMES TO INCREASING PRODUCTION. LOOK, YOUR TRACK RECORD IS NOT GOOD AS A COMPANY WHEN IT COMES TO INCREASING PRODUCTION. DO YOU UNDERSTAND ANY TREPIDATION THEY MAY HAVE? WELL, WE'RE TRYING TO RESET THAT TRACK RECORD, AND I THINK WE'VE DONE A GOOD JOB AS WE'VE COME BACK UP HERE THE LAST 18 MONTHS AND INCREASED RATE. AND WE'VE DONE IT DIFFERENTLY. WE'VE MADE SURE THAT WE'RE NOT MOVING UNTIL THE PRODUCTION SYSTEM IS STABLE.

WE'RE NOT PUSHING WORK DOWN THE PRODUCTION LINE LIKE WE WERE BEFORE. SO I THINK THAT GIVES US ALL OPTIMISM. AND QUITE FRANKLY, AS WE'VE MOVED UP TO 42 AND NOW MOVING TO 47, OUR KEY METRICS THAT WE MEASURE AROUND THE STABILITY OF THE PRODUCTION LINE HAVE BEEN PRETTY GOOD. SO WE'RE HOPEFUL THAT THAT CONTINUES.

YOU HAVE A LONG RANGE TARGET OF 63 PER MONTH IN TERMS OF MAX PRODUCTION, BUT THERE WAS A REPORT YESTERDAY IN THE AIR CURRENT THAT YOU MIGHT WANT TO EVENTUALLY GET UP TO 70 PER MONTH. IS THAT REALISTIC. ARE YOU CONSIDERING THAT? SO WE'RE ALWAYS LOOKING AT, YOU KNOW, FURTHER RATES. I THINK RIGHT NOW 63 IS OUR PLAN. WE'LL LOOK AT THAT TO UNDERSTAND WHERE OUR CONSTRAINTS ARE, WHAT THE RESILIENCE IS OF THE SUPPLY CHAIN. BUT THAT'S A STEADY ACTIVITY RIGHT NOW. WHAT DO YOU SAY TO THE SKEPTICS, OR MAYBE EVEN SOME ON WALL STREET WHO SAY YOU MIGHT BE MOVING A LITTLE BIT TOO FAST? WELL, WE'RE NOT HEARING THAT FROM OUR CUSTOMERS. OUR CUSTOMERS ARE SAYING THIS IS THE HIGHEST QUALITY AIRPLANES THAT THEY EVER RECEIVED FROM BOEING. SO WE'RE TRYING TO DO THIS VERY SMARTLY, VERY CONTROLLED. AND I DON'T THINK ANYBODY IS SAYING WE'RE MOVING TOO FAST RIGHT NOW.

HAVING SAID THAT, WE'RE NOT GOING TO PUSH AIRPLANES OUT THE DOOR IF WE'RE NOT STABLE AND THE PRODUCTION SYSTEM ISN'T PRODUCING A HIGH QUALITY PRODUCT, WE'RE GOING TO SLOW DOWN UNTIL WE CAN. GLOBAL SUPPLY CHAIN. WHERE ARE THE TWO KINKS IN THE CHAIN, IF YOU WILL, OR OR AREAS WHERE IT'S JUST NOT ALLOWING YOU AND YOUR COMPETITORS TO BUILD EVEN FASTER? IS IT ENGINES AND SEATS? SO WE'RE HERE IN RENTON WHERE WE BUILT THE 737. THE SUPPLY CHAIN IS IN PRETTY GOOD SHAPE, SO I WOULDN'T SPIKE OUT ANYTHING FROM IT IN TERMS OF MOVING UP IN PRODUCTION RATE ON THE MAX, ON THE SEVEN, EIGHT, SEVEN, WHICH WE BUILD IN CHARLESTON, WE DO SEE CONSTRAINTS AROUND SEATING IN SOME OF OUR ENGINE DELIVERIES HAVE BEEN DELAYED IN THE LAST QUARTER. SO THOSE IN THAT PROGRAM, WE'RE CONTINUING TO STABILIZE AT RATE EIGHT. WE WANT TO MOVE TO RATE TEN BY THE END OF THE YEAR. AND IN ORDER TO DO THAT, WE ARE GOI