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The Boeing Co. (BA)

Bank of America Merrill Lynch Global Industrials Conference
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**CORPORATE PARTICIPANTS**

**MANAGEMENT DISCUSSION SECTION**

[Abrupt Start]

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

Randy Tinseth. Randy is the Vice President of Marketing for Boeing Commercial Airplanes. I think, Randy, here give us a pretty staple view on where we are in this commercial cycle and what's going on. And one thing I might add, Randy's got a pretty cool blog, throughout the blogosphere if you kind of see Randy's updates which are helpful.

And then, maybe one last little housekeeping point. Tomorrow morning at 8 o'clock, we're going to do a commercial aerospace panel with Richard Aboulafia [indiscernible] (00:32) what's going on from their independent view in the commercial cycle and in the aftermarket. And then, in the afternoon, I urge everybody to come and see our defense panel. We've got Ambassador Hill. He was the Ambassador for South Korea; and John Park, who is the Head of the Korea Program at Kennedy School of Harvard, giving update on what's going on in North Korea. And eventually, [indiscernible] (01:02) session that's going to come up.

So, without further ado, Randy.

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

Thank you, Ron. Good morning. Welcome. It is absolutely both my privilege and pleasure to be here today to represent Boeing.

Today, I wanted to share a few thoughts on where we are in the market today. I want to talk a little bit about where the market is headed long-term. And then before we take questions, I'll share with you a bit about where we stand in terms of our product and our public programs. You can imagine before we get started, I want to emphasize that the material, I'm sharing today, has some forward-looking information. I'll give you a moment to read our disclaimer.

Having said that, let's now talk about where we are in the market, and do a really quick review of how we started performing last year. I think without question, 2017 was a very strong year both for the Boeing Company and
more importantly for our customers. In 2017, we saw a year, for the very first time in commercial aviation, where 4 billion people traveled by air. That's a doubling of the number of passengers traveling in the last 12 years.

Last year, we saw a very robust market both for passenger traffic growth as well as growth in the cargo marketplace. 2017 marks the eighth great year in which we saw growth in the market, above long-term trend. It was also the eighth straight year in which we saw traffic growing faster than capacity. So, load factor has been on the rise. And as a result, last year, we saw record global load factor of over 81%.

I want to also emphasize what's happened in the cargo market. Now, since the recovery that began in 2010, we see ups and downs in the cargo market. But over the last 18 to 24 months, we have seen industrial production come back. We've seen trade come back. We've seen a very strong and resilient cargo market.

And to put in perspective how important that cargo market is, should the market continue to grow somewhere between 4% and 5%, we expect to continue to grow 4% or 5% in the coming year. That helps support production of two large freighter aircraft from our factories in Everett, Washington.

And then finally, and probably most importantly, over the last eight years, we've seen strong profitability for our customer. In fact at the last three years combined, we have seen more profit in our industry than the 30 years before that time. So, we see margins improve. We see balance sheets improve. We see our customers managing their business better than they ever have in the past.

From a Boeing perspective, 2017 was a really strong year in terms of Commercial. We've had 912 orders, which is a big order book, but I think what was really interesting about last year's order book is the fact that we received those 912 orders from 71 different customers. There was also broad demand for our products.

The other thing that I would emphasize, last year we did exceptionally well in terms of wide-body order. We collected about 75% of wide-body orders in the market. That was driven by what we saw on the Boeing 787 as well as our Boeing 777 program. So, even though our competition at the end of the year probably edged us out a little bit in terms of total order count, I think we edged them out in terms of order value.

Last year in terms of deliveries, we delivered a record 763 aircraft. Again, an industry record. We delivered almost half of the single-aisle airplanes in the market. We delivered almost 60% of the wide-body aircraft. What I think was important not only about this being record, but we did this essentially with no drama. At the beginning of the year, we set our guidance and that was to deliver somewhere between 760 and 765 aircraft. And at the end of the year, we delivered on that guidance.

2017 also marks a year where for now for the six straight year in a row, we have been the industry leader in terms of delivery. Now, we can talk a lot about orders. We can talk about backlog, and that's important. But at the end of the day, we're an industry that the deliveries are the most important metric which we looked at.

And as we look at 2018, we see another strong year, a year in which we expect passenger traffic to grow around 6%, a year in which cargo traffic will grow somewhere between that 4% and 5% level that I talked about, a year in which load factors will remain at near record levels, another year in terms of profitability for our customers and a year in which we expect to see about 200 million passengers growth in the market. And what's important in terms of that passenger growth, about half of that growth will be from our airline customers in Asia.

For us at Boeing, in 2018, we're looking at another healthy year in terms of order intake. I don't know if we're going to see exactly what we saw last year, but, again, another healthy year. And in terms of deliveries, we expect
to deliver somewhere between 810 and 815 aircraft. And that increase in deliveries is really a function of our increased production rates that being come online with Boeing 737 family.

Today, on Boeing 737, we're delivering 47 aircraft a month. As we go through the year, our rate will increase to 52 Boeing 737 deliveries a month, and then next year we'll be delivering 57 Boeing 737s a month. So over this last eight-year period, as we've seen the market improve and our customers become more profitable, we have worked very hard to increase the number of deliveries to market. So our rates today are essentially 65% higher than they were in 2010.

Long term, aviation is a growth market. Over the next 20 years, we expect the cargo market to grow about 4.2% per year. We're expecting passenger traffic to grow about 5% per year. And as a result of this growth and replacement demand we see in the market, we believe or we expect our airlines to take the delivery of more than 41,000 aircraft over the next 20 years, a demand that's valued in excess of US$6 trillion.

Now, the biggest market will be the market for single-aisle airplane, almost 30,000 aircraft in terms of demand over the next 20 years, and aircraft that we have to meet that demand are airplane like our Boeing 737 Next Generation that we have today and the MAX that came on and started to deliver last year. Second largest market is the market for wide-body aircraft. Over the next 20 years, about 9,000 aircraft including close to 1,000 freighter aircraft.

The other thing I wanted to point out in terms of [ph] demand to be (08:44)about 40% of the deliveries over the next 20 years will be for airlines in the Asia-Pacific region, about 20% for the North American carriers, about 20% for our European customers, and the remaining 20% will be spread throughout the rest of the world.

The other thing to note here as we look out the next 20 years, we expect the world fleet to double from about 23,500 aircraft to almost [ph] 47,000 (09:10)airplanes in the year 2036. And as we look at the profile of demand, about 57% of that demand will be needed for growth in the market and about 43% for retirements or replacements. That means that, every year about 2% to 3% of the fleet is retired or replaced. That replacement demand really creates a strong base for our production as we move into the future.

Now, as you can see from this, the biggest growth markets will be in Asia, Latin America, [ph] Middle East (09:46), places like Russia. The biggest replacement markets would be the United States, Europe, as well as Japan.

Now, just a couple of comments on our products and what we’re doing in terms of investment, and I think we'll take some questions. So, today, we offer one of the largest, most comprehensive product offering in the industry. On the right side of the screen, you see our complete Freighter product line. And again, as we look to the future as we see that freight market coming back, we see strong demand potential for our Freighter product line as we move forward.

In fact, just this year, early last – I think it was last month, UPS stepped up and bought 18 incremental freighter aircraft, including 14 Boeing 747-8 Freighters and 4 Boeing 767 Freighters. And I can tell you, as we look at the Boeing 777 product line, we have a number of things in the pipeline around Boeing 777 freighters; very optimistic about the freight market.

In terms of passenger aircraft, today it really focuses on the Boeing 737 MAX family. This is the replacement of our very successful Boeing 737 Next Generation program. To-date, we have sold more than 4,300 Boeing 737 MAX aircraft to more than 90 customers around the world. It consists of four [ph] product members (11:10). The
first delivery of the MAX was the Boeing 737 MAX 8 that we delivered in May of last year. At this point, we delivered more than 80 Boeing 737 MAX aircraft to more than 20 customers around the world.

In the last few weeks, we've had a number of milestones that we've been able to accomplish on the MAX. Recently, we rolled out the very first Boeing 737 MAX 7. That airplane took to the air just last Friday. We came to firm configuration of the newest larger member of the family, MAX 10. That means our engineers are now [indiscernible] (11:47) process with detailed design of that aircraft. Now, this is an airplane that we launched at last year's Air Show. And since the launch of that aircraft in Paris, we now have orders [ph] of more than (11:59) 400 of these aircraft with 18 different customers around the world.

We're right on the cusp of delivering our first Boeing 737 MAX 9. That airplane has now been certified and delivering in the coming weeks to Lion Air. So we're making great progress across the entire MAX line. The other thing I would say as we talk about whether it'd be MAX development or Boeing 787-10 development or 777 development, all of these programs are either ahead of schedule or on schedule. Our development process is working extremely well.

On to our twin-aisle collection, our families of both Boeing 787s and Boeing 777, I mean, these are aircraft that work extraordinarily well together. So we designed those two families to complement each other in terms of their range, their size, capabilities. The Boeing 787, the newest member of that family Boeing 787-10 member of the Boeing 787 family, it's an aircraft that has been certified now, ready for its first delivery. In fact, that aircraft we'll deliver later this month to Singapore Airlines.

And then, finally in terms of development about our Boeing 777X family, this is a family of aircraft that's slightly larger than today's Boeing 777 family. It features a new large composite wing, new engine provided by General Electric, very capable family of products. It will provide our customers double-digit improvements in both cost and efficiency compared to our competition. It has range and capabilities our competition can't match. And I can tell you we're going to do [ph] something to carry (13:38) this aircraft [indiscernible] (13:38) exciting for passengers.

So, we are very pleased where we are in the market. Again, our development programs are all on track. And the fact is we're doing extraordinarily well in the market in terms of sales, in terms of our customers. Today, we have a backlog of about 5,800 aircraft. That backlog is well-balanced in terms of where it's coming from. Our customer base around the world is well-balanced by airplane model, well-balanced by airplane types, and we're well-positioned as we go into the future.

With that, I'm going to answer any questions.
QUESTION AND ANSWER SECTION

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

[indiscernible] (14:21). Last year was indeed a year of uptrend air traffic. So, presumably, if that happened again this year, this will be the ninth year of [ph] uptrend (14:32). When should we adjust our expectations for what trend is?

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

I get asked that question all the time, because I ask my team. Is it a 5% trend market or is it a 6% trend market? I have to say it's been a very interesting time since 2010, because we've been in this process where actually the global economy has underperformed and, at the same time, aviation has outperformed expectations. I think there's a couple of reasons for that. First and foremost, the growth that we see in the market is really being driven in a large part by the countries in developing and emerging economy. It's been driven by this large and fast-growing middle class that want to travel.

The second part, I think, that's been driving this market is the fact that more and more of our customers use the low-cost business, low-cost carrier model. And as a result, they're in markets that are fast-growing, they're reducing the cost of air travel, and I think they're helping to stimulate demand. And I think the other part of the equation here is that even though the world economy has been performing under trend, the services segment has actually been outperforming expectations, and in result it's been driving air travel, which is good.

As I look out the next couple of years and I talk to economists around the world, I mean, they're expecting not only the market to grow above trend. We're in a phase that they will call as the synchronized global expansion. So all of the OECD countries are growing, all the developing and emerging countries that we work with, their economies are growing. So they're very optimistic about where we'll be out the next couple of years.

And the other thing that I would say that has changed is really the growth and the stability we see in terms of industrial production and what that has meant in the cargo business. So, we've gone through eight years of growth. We look at the economic frontiers going forward, we see very positive signs there, so I expect growth that we see in the market [indiscernible] (16:36).

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

Great. And another question you must get all the time, the NMA, so a new middle-of-the-market airplane. When we think about – what market does that address? How much of that market would be cannibalized from market below it, above it, and what can you say about what maybe this airplane could be?

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

So the new mid-market airplane, something we're studying, we're not committed to yet. But it's an airplane that would essentially bridge the gap between where we are on the single-aisle side of the market, airplanes that seat up to about 200 passengers, fly close to 4,000 nautical miles, and the gap that we have to wide-body aircraft would be around 300 passengers that have this capability to fly up to 8,000 nautical miles.
So with the mid-market airplane, we're looking at an aircraft that seats somewhere between 220 to 270 passengers. It would be able to fly about 5,000 nautical miles. So, again, it kind of bridges that gap. The way I think about it to be an airplane that would be able to function in some of these dense, congested single-aisle markets where single-aisle airplanes are too small. It also can operate in markets [ph] as if it's lower trip (17:57) cost than a wide-body. The wide-body aircraft are misused and essentially aren't efficient, [ph] able (18:03) to perform.

We've been engaged with more than 50 customers around the world. I think we're starting to get pretty good understanding [indiscernible] (18:14) aircraft would be. Probably an addressable demand in excess of 4,000 units over the next 20 years, getting our arms around the configuration of the airplane. Today, we envision an airplane that would be, I think, a little innovative in what we do in terms of configuration, but we would wrap around this aircraft technologies that are proven and understood today.

So, no big technology push as we saw on the 787. So we're comfortable from a technology perspective. We're understanding the value proposition of customers. We see a potential big demand for the aircraft and, of course, we do recognize that some of that demand comes from single-aisle market wide-bodies [ph] and we (18:58) understand I think that dynamic. And at the end of – we're at that point where we're not committed. We have to make sure that we have a business case to close it, and we just have more work to do on that front.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

I mean, just following up on that. Is there a way to just kind of put a fence around how big a deal is it when you -- I liked your term misuse a wide-body. When you take an airplane that's got – MAX take-off rate [indiscernible] (19:27) 8,000 nautical miles, and you're flying it on 4,500 nautical miles [indiscernible] (19:31). How much does that cost an airline? Just to give a sense.

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

I mean, if you take a look at places like China, where they're offering A330s on a two-hour mission, and the airplane lands and it takes an hour, hour-and-a-half to turn. And this is an airplane that's meant to fly 6,000 miles, carry lots and lots of cargo. It's just loaded and has an operating cost [indiscernible] (19:52). So with an airplane like a new mid-market airplane, we [indiscernible] (19:56) cut the trip cost or the risk associated with that airplane. We can carry almost as many passengers. And then we have the ability to actually turn the airplane [indiscernible] (20:07) more like a single-aisle airplane wide-body. So they get a much [indiscernible] (20:11) their asset and they get a significant improvement in terms of cost and margin improvement.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

How do you think about the large regional jet? Given Airbus's move to become closer with the C-Series, and then there's been – in the news there's a talk about Boeing getting close to Embraer. How should we think about the market for the E2 family [indiscernible] (20:40), so those larger regional jets?

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

So, if you take a look at our forecast, if you look at the regional jet market, I think we're around 2,500 aircraft over the next 20 years. If you take a look at the single-aisle market and what is addressable by the larger regional jets,
well, we have 2,000 airplanes there. So, it's a market that's in the thousands over the next 20 years, which is significant. It is a market where there's lots of competition. It's a market where we take a look at Bombardier and Embraer, and Embraer is very successful. Bombardier is trying to move up into the lower single-aisle market, so there's some interesting dynamic there.

I've always struggled with the market like that airplane around 110, 115 seats, because the economics of that aircraft struggles. I mean, I look at the Bombardier airplane, it's a nice airplane in terms of design and configuration, but it's not all that costly to build than a bigger airplane so it has a cost problem, and frankly, it had a sales problem. So, there's probably more synergies for aircrafts slightly below that in size, and we've seen that from Embraer aircraft. So, an interesting dynamic, substantial demand, but I think they have to get it right in terms of the right product and the right development cost and right production cost to be successful.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

Great. When we think about the narrow-body market, Boeing 737 edging up, you went through the – there's a production boost. How high could it go? I mean, what's the demand out there? And not saying – let's say, [ph] this is just a thought experiment. If the supply chain could meet any demand that both Boeing and Airbus would have, how high could it go up?

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

Well, to illustrate how strong the demand is, if you wanted a Boeing 737 MAX today, I couldn't deliver you one until 2023. So, even with the fact that we're going from 57 (sic) to 52 to 57 aircraft a month, the fact is we're significantly oversold in out-years, and we really don't have availability and that tells you why we're in terms of market. Now, I don't know where we'll go long term in terms of rates, but I can tell you right now, if we take a look at our long-term forecast, if we take a look at our near-term forecast, we take a look at the dynamics of the marketplace today, we continue to see upward pressure.

And if you think about what we've been able to do in terms of our production over the last eight years, as I said, production is up about 65%. I don't know exactly the number, but we've gone through about 20 rate changes upward, and we've been able to manage those rate changes, because we have a very disciplined process of working with our suppliers to make sure that and wherever we go with rate on the Boeing 737 in the future, I can tell you that our suppliers would be right there with us as we go up in rate to make sure that we can be successful in terms of our rate readiness and deliver on those higher rates, because we can't afford not to be able to capture the demand when it's there, but we can't break our production.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

[ph] That's good. Then maybe moving on to the Boeing 777 and the Boeing 777X. When you look at the backlog to that program, it looks like it's heavily weighted towards the Middle East, although last year there was some demand from Asia. How should we think about how demand for that airplane will develop, say, over the next five years?
So, we have two focuses when it comes to the Boeing 777. First is to build a successful bridge [indiscernible] Boeing 777 and Boeing 777X. And then the second focus is, of course, to grow the Boeing 777X backlog and passenger revenue. In the last year, we were successful in which we received 40 orders for today's Boeing 777. That helped us continue to build that bridge. Our focus now is on the back half of 2019 and 2020 [ph] Boeing 787 (24:56) aircraft, again, very excited that the cargo market has come back to help us with that.

In terms of the Boeing 777X, we've picked up a new carrier last year in Singapore. They stepped up and bought 20 of the aircraft. We think the Boeing 777X, especially the airplane to replace Boeing 777-300ERs and Airbus A380s over time, so we're very optimistic of where that aircraft would be. About little more than half of our order base is still with Middle Eastern carriers. We see some geopolitical and economic challenges in that part of the world, but I think the fundamentals are still in place that that's a market that, geographically, is an ideal spot. You fly eight hours around the Middle East and you'd pick up 85% of the world's population. They have business model that is well integrated with policy issues – the policy development of their governments. They have the infrastructure in place to be successful. So, I think we're well positioned there.

And frankly, as we look especially at that early phases of Boeing 777X deliveries, this was really about an aircraft that we'll be delivering in that 2020 timeframe in the next few years. That it's all going to be about replacing the older aircraft. So, initially, those airplanes are replacements. So, I think we're well positioned there.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

When we think about the market, our large wide-body, and kind of if you shift up to very large wide-body like the 747 or the A380 Airbus [indiscernible] (26:30). When would you expect demand in that segment of the market to pick up? And maybe as a follow-on to that, what happened in that segment where narrow-bodies have just been gangbuster, Boeing 787 has been great, right? But when you kind of inched up a little bit bigger than that, it seems like demand's soft.

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

Well, there's view in changing dynamic in the market. I mean, airplanes like Boeing 787s have changed the world. Our forecast reflects that we see that airplane doing extraordinarily well because of the size and range and the capabilities of cost structure. But when you think about where we are in the Boeing 777X program, we have 340 orders and commitments for the aircraft. At the same stage of the Boeing 737 versus Boeing 777-300ER program, they were around 100 orders, which has become a very successful model.

So, we're very optimistic that demand is there, so that we replace great replacement aircraft for the Boeing 777. It would be a great replacement for older Boeing 747s, A380s. And when you look at growth in the market, there will be demand for these large twin-engine, twin-aisle airplanes, especially Asia and this will be the next true big airplane in the market economics that we believe will help drive momentum as well.

But your point on Boeing 787, boy, we're now at over 1,300 orders on Boeing 787 from 71 customers. I'm just so impressed that we have – of our order base, we now have 29 customers that have committed to two or more versions of the Boeing 787. And of that 71 customers, 33 of them have come back and purchased some more aircraft. So, we have repeat customers. So, the Boeing 787 now has sold more airplanes combined of the A350 and the A330neo combined together. So, the airplane's starting to do well and is delivering to our customers. They love what it does.
Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

What do we – why do you have to – the very large flat airplanes, the 747...?

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

It's economics. I mean, the Boeing 747-8, as we look at its future, it's really around the cargo market because of its capabilities and its range. And it's a fact that in that cargo market, there is a space for that large carriage that oversized cargo that's unique through the nose door. So, there's a pathway forward to that. But at the end of the day, an airplane like Boeing 777X [indiscernible] have really made airplanes like the A380. I think it was Alan Joyce from Qantas that made it very clear that he can buy and operate two Boeing 787s, carry the same number of passengers through one A380 with a substantially lower cost with greater flexibility. So, I think that it was A380. Boeing 747-8 came at a point where the technology advancement on the smaller wide-bodies just kind of push [indiscernible].

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

What was that competitive question, I mean when you think about the change themselves or even there's an airplane, when John Leahy retiring and leadership there, what kind of impact do you think that will have on the market?

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

I'll tell you what, I like where we're at, my boss Ihssane Mounir has a great track record of success. Kevin McAllister is now our leader, he has a sales mindset as well and he replaced Ray Connor who had a sales mindset. So, I think we're really, really well positioned. They're going through a generational thing. They're going through changes that were forced by dynamics of the market. John Leahy was a superb sales leader, but he did a lot of it on his own. So, I think they're going to go through a lot of change with some of the challenges that they're having in terms of ethics issues. I think that they'll become more disciplined to what they do. So, I expect Airbus to change but they'll always be a very aggressive competitor.

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

How should we think about the trend that's become more prevalent in the last decade of aircraft [indiscernible]? When you look at the global fleet, correct me if I'm wrong, I think roughly what half of the fleet is at some form of [indiscernible].

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

About half. I think of our fleet today is in some way managed by a lessor whether that be through a speculative lease or some kind of financing arrangement.

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

How does that change the dynamic of the market?
Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

Well, I think, first of all, the growth that we see in the lessor market is really a testament to how attractive they see aircraft as investment. And so, a lot of capital comes to the market. The second thing is, we are a big – we're a growing market, so the more diversity that we can see in terms of financing sources [ph] that's big (31:27). And I think more competition we could see leasing market as well that's big. So, we have seen a number of Chinese lessors come in to market with fresh capital to bring right is, they're challenging the status quo. But essentially, it's a market where the investments there, they're good returns. The investment is there because airplanes are high quality assets and the investment is there because they see this to grow more.

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

Again, maybe a little more futuristic question, a marketing question. When we think about introduction of self-driving, there's a talk of Uber-esque helicopters flying people around. Do you guys think about – and if you don't, I understand – what impact that could have on narrow-body aircraft market?

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

Yeah. Our team's thinking about it all the time. And we're making investments in areas through HorizonX, through our capabilities that we believe can help us in some of those markets. But especially if you take a look at the market in the U.S., the market after 9/11 for flights under 250 nautical miles essentially went away because of the hassle. So, as I look at the trends in terms of the potential capabilities coming to the market, I think there's a great opportunity to grow in that 0 to 250 nautical miles market. I don't think it really competes with what we do; I think it adds to it. So, it's just a very exciting opportunity as we look forward to get.

I think the biggest challenge we have is last year, as I mentioned, almost 4 billion people travelled by air, 4 billion people traveled by air and there wasn't one single fatality accident. So, I think the question we have is how can we open up these new markets in different ways given the safety record that we have. I think that will be a big challenge.

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

When you think about your career, right, you've been in Boeing a long time and you've been in the market for a long time. But I remember that you're a flight test engineer.

Randy Tinseth  
*Vice President-Marketing, Boeing Commercial Airplanes, Inc.*

I was a flight test, I'm a failed engineer.

Ronald J. Epstein  
*Analyst, Bank of America Merrill Lynch*

Failed engineer. What's some of the most exciting things going on right now?
Well, in my time in marketing selling the airplanes, I mean I think that's probably changed the most is the way that airplanes are evaluated. When I started, almost every airline I went to, most of those airlines were either in the United States or in Europe because they were buying 80% of the airplanes back. All the evaluations were led by the engineering team. So, you had to prove the capability of the airplane to the engineers before it would get – to go through and go into the finance teams for evaluation.

Today, almost all of those evaluations are led in some way by a dedicated [indiscernible] (34:23) recommendation. And that's because airplanes have become more capable over time for some broader array of products available. So, today we're in one of those situations where spreadsheets probably that make that drives those decisions more than anything. So, really now – in the past, we had been about capabilities and now it's about value.

The other thing that has changed in my perspective are the number of different business model that are out there. So, you certainly would go to a network carrier like United and sell one way, you go to an airline like Ryanair and you sell another, then you go to China which has like these dynamics of the government, how they're involved and how those regulatory authorities are involved so that's a different thing as well. So, I think as time goes by, we continue to grow but we have more talent, more diversity in the market.

But I would say the biggest thing is change. If I started working in 1981, the market is six times bigger than when I started. The size, the depth, and the breadth and the resiliency of the market is really, really different than when it was 20, 30 years ago. So, that depth and breadth of the market, the fact that airlines are now buying aircraft on a more continuous basis, back 20 years ago most of the market would stop growth and we had this nice balance of growth replacements. So, the way that our airline customers evaluate our planes has changed but the market has changed as well in terms of the breadth and depth and its resilience.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

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Look, everybody here tries their own forecast of how airplane deliveries will go. So, just maybe a bummer of a question; what do you look for as a warning sign? What would worry you if you we to see this or see that?

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

A

Well, I just – I look at a point where the fundamentals of the market are extraordinarily strong. I'm very bullish on what we see in terms of global trade as well as economic development. I think I always worry about in our business now is geopolitical situation, what could happen [indiscernible] (36:36). But if I look out at the fundamentals today and out in the next few years, I'm really confident and comfortable of what's going on. It's a very exciting marketplace.

Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

I think we'll end it there. Thank you so much for coming and spending the time and talking with me. Thank you.

Randy Tinseth
Vice President-Marketing, Boeing Commercial Airplanes, Inc.

Thank you very much.
Ronald J. Epstein
Analyst, Bank of America Merrill Lynch

Yeah.