

# Fake news or MDC as source of Boeing's problems

Adam Pilarski, senior vice-president at Avitas, writes a highly personalised defence of Boeing in an age of pseudo facts.

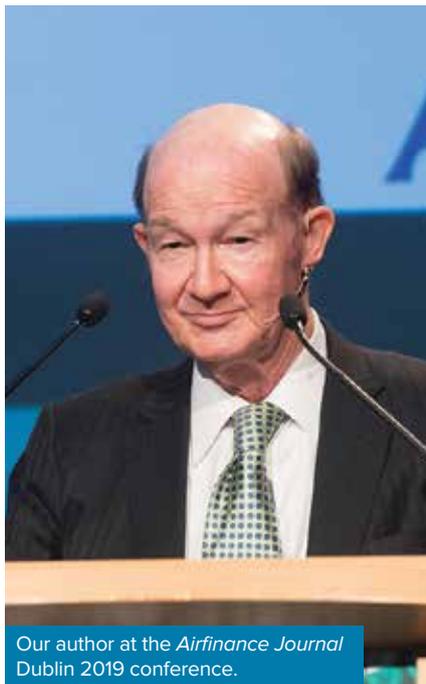
**T**he tragic events surrounding the 737 Max temporary grounding led to a plethora of ridiculous speculations and falsehoods. Let me start by saying that I believe the Max is an outstanding product in the best tradition of Boeing's century of glorious history. It will fly again and will continue performing magnificently for its many customers.

Unfortunately, we are living in an age of new realities when sometimes obviously nonsensical statements are accepted as facts. Postulations as bizarre as that the previous US president was a Muslim and was not even born in the USA were accepted by a surprisingly large part of our population.

In our industry, we see many totally ridiculous theories being promoted by some journalists and web chat groups claiming how Boeing abandoned its long and proud tradition of technical excellence in favour of enhancing shareholders' returns. Nothing could be further from the truth. Boeing continues, and will continue, to produce excellent products for hopefully another few centuries.

The issue I have problems with is how some explain that Boeing's problems with the Max trace their origin to the 1997 merger of McDonnell Douglas (MDC) and Boeing. Most people know that it was a merger or, more accurately, an acquisition of MDC by Boeing. That seems to be supported by the fact that the name Boeing prevailed, that all top people came from its ranks and that virtually all the MDC commercial products in short order disappeared. It turns out that a substantial number of Boeing employees still to this day believe that what actually happened was MDC used Boeing's money to purchase said company and subjugate it to its will.

While a funny statement, what evidence is being presented? The proof some bring out is that Harry Stonecipher (the last MDC president) was made president and chief executive officer of Boeing after Phil Condit was let go a few years later. I personally remember these events clearly as I lived through them. A belief (still popular among Boeing employees) that Stonecipher was an MDC agent defies logic. He was brought



Our author at the Airfinance Journal Dublin 2019 conference.

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in during autumn 1994 with the role of selling MDC. He was not an MDC man. He had 27 years of GE history, seven years of Sundstrand experience and just 33 months of MDC tenure. He had no loyalty to MDC, its people or interests. He did what he was hired to do which was sell us to the highest bidder. To call him an MDC person strains belief.

How is this related to the Max problems? Some recent articles suggest the following conspiracy story. They claim that Boeing was always a pure engineering company, while MDC was run by bean counters and business types who only valued money. When it acquired Boeing, according to the conspiracy theorists, MDC eventually dragged the company down to its level by limiting its objectives to maximising profits, further stretching existing products and compromising technology and eventually even safety for the almighty dollar. Dirty MDC money-grubbing soulless operators soiled the once pristine Boeing, they allege.

The facts do not support such claims. In today's world, this does not matter much. In reality, MDC was making all its money on the military side. I analysed data fitting approximately to my stay at MDC (I have financial data for the period between 1978 and 1995). At that time, MDC military was profitable every single year for an average annual profit of \$350 million. Douglas Aircraft (DAC) was often losing money: in nine out of the 18 years for an average annual loss of \$287 million. Taken together, DAC had average losses of \$92 million. Old DAC was purely an engineering company.

The founder, Donald Douglas, was its first chief engineer. When I was hired, the president, John Brizendine, was another previous chief engineer. His office was adorned (like the White House) with paintings of all the previous occupants, all chief engineers. We knew how to engineer aircraft; too bad we had no investments from HQ but luckily, because the military side was making money, it did not matter that we were losing money. Airlines used to tell me that our products were over-engineered, hence lasted much longer than the competition, but were also heavier and less fuel-efficient. We were a hobby of the McDonnell family that was supported by continuous government contracts with guaranteed profits.

How you get from this reality to baseless pseudo facts that MDC was the bean counters' Mecca is truly beyond me. It appears to be part of the new realities we live in where 'facts' have a different meaning to history. ▲