Operator

Thank you for standing by. Good day, everyone and welcome to the Boeing Company Second Quarter 2019 Earnings Conference Call. Today's call is being recorded. The management discussion and slide presentation, plus the analyst and media question-and-answer sessions, are being broadcast live over the Internet.

At this time, for opening remarks and introductions, I am turning the call over to Ms. Maurita Sutedja, Vice President of Investor Relations for the Boeing Company. Ms. Sutedja, please go ahead.

Maurita Sutedja

Thank you, John, and good morning. Welcome to Boeing's second quarter 2019 earnings call. I'm Maurita Sutedja and with me today is Dennis Muilenburg, Boeing's Chairman President and Chief Executive Officer; and Greg Smith, Boeing's Chief Financial Officer and Executive Vice President of Enterprise Performance & Strategy.

After management comments, we will take your questions. In fairness to others on the call, we ask that you please limit yourself to one question. As always, we have provided detailed financial information in our press release issued earlier today. And as a reminder you can follow today's broadcast and slide presentation through our website at boeing.com.

Before we begin I need to remind you that any projections, estimates and goals we include in our discussion this morning are likely to involve risks, which are detailed in our news release and our various SEC filings and in the forward-looking statement disclaimer at the end of this web presentation. In addition, we refer you to our earnings release and presentation for disclosures and reconciliation of non-GAAP measures that we use when discussing our results and outlook.

Now, I will turn the call over to Dennis Muilenburg.

Dennis Muilenburg

Thank you, Maurita, and good morning. Let me start with the 737 MAX. The accidents that occurred in Indonesia and Ethiopia continue to weigh heavily on us. We will always be sorry for the lives that have been lost and the families that have been impacted. These accidents affect all of us personally and reinforce the importance of the work that we do. We know lives depend on it and nothing is more important to us than the safety of the flight crews and passengers who fly on our airplanes.

We're also committed to supporting the families and communities affected by the Lion Air and Ethiopian accidents. Earlier this month we pledged $100 million in funds to help support those families and communities. And last week we announced that $50 million from this pledge would be dedicated to providing near-term financial assistance to families of the victims. And we have partnered with renowned experts Kenneth Feinberg and Camille Biros on disposition of these funds.

Now let me turn to the latest on the MAX technical updates. Last month the FAA directed us to address a specific condition of flight unrelated to MCAS that the planned software update did not previously address. We agreed with the FAA's decision and we are currently working on the software changes to address this requirement.

In addition, we are working with the FAA and other regulators to complete as many elements of the certification process as possible in parallel with the development of the software update. We will submit our final certification package to the FAA once we have satisfied all of their requirements, which we currently estimate will be in the September time frame.

However, as we have consistently emphasized, it is the FAA and other global aviation regulators that will determine when the 737 MAX returns to service and we are working tirelessly to meet their requirements. The process is dynamic and involves constant dialogue on outstanding questions and open issues that will continue in the days and weeks ahead. We are committed to working with these regulators to satisfy all of the requirements and to ensure the 737 MAX's safe return to service.

As I mentioned last quarter, as part of our commitment to continually improve safety as we have always done, we've established a new Board committee to review Boeing's policies and processes for the design and development of airplanes. The committee has sought input from outside experts, from both industry and government and is working expeditiously to conduct its review and provide any recommendations it deems appropriate.

In preparation for the safe return of the 737 MAX to service, we've conducted a dozen customer conferences with MAX operators around the world and nearly 225 simulator sessions to develop test and demonstrate the software. In addition, we conduct weekly technical calls with our customers worldwide to ensure that all the appropriate steps are being taken so that the fleet is fully prepared to return to service when the grounding is lifted.

This involves having the necessary technical kits and expertise on hand while adopting a new airplane entry-into-service mindset in partnership with

our customers. This also includes a comprehensive package of training and educational resources.

In April, we reduced the 737 production rate to 42 per month to accommodate the pause in MAX deliveries. Both within Boeing and our supply chain, we are using this time to improve the production system health and stability. As we said in our pre-release last week, our best current estimate is a return to service for the MAX that begins early in the fourth quarter. Based upon this estimate and other factors, we expect to be able to maintain our current production rate of 42 deliveries per month to be followed by incremental rate increases that would bring our production rate to 57 during 2020.

As our efforts to support the 737 MAX's safe return to service continue, we will continue to assess our production plans. Should our estimate of the anticipated return to service change, we might need to consider possible further rate reductions or other options, including a temporary shutdown of the MAX production.

The grounding has also impacted our customers and their flight schedules. The production rate adjustment to 42 per month will also cause associated airplane delivery delays in the future. We've been in constant contact with our customers to support them during this difficult time and we'll continue to work closely with all of our customers around the world and deal with the impact individually customer by customer. As we announced last week, we are recognizing impact to our second quarter results from both the longer-than-expected lower production rate and also estimated potential concessions and other considerations to customers.

I want to personally thank everyone who continues to be our partner in this journey, from our airline customers and their pilots, flight attendants and others who have been impacted by these groundings, representatives from all levels of government who share our commitment to safety, to the flying public and everyone in the aviation community impacted by these events. We are grateful for your support and we will continue striving to earn and re-earn your trust.

Now let me turn to an overview of our second quarter operating performance, followed by an update on the business environment and our expectations going forward. After that Greg will walk you through the details of our financial results and how we are maintaining financial discipline and prudently managing liquidity as we work through the safe return to service of the MAX.

With that let's move to slide 2. During the quarter, we recorded revenues of $15.8 billion and core earnings per share of negative $5.82, reflecting the MAX charge as well as lower volume of 737 deliveries partially offset by higher defense and services volume. We recorded negative $0.6 billion of operating cash and paid $1.2 billion in dividends reflecting a 20% increase in dividends per share from last year.

Now let's look at the second quarter operating performance for our businesses. For the quarter, Commercial Airplanes generated revenue of $4.7 billion reflecting 90 deliveries and the $5.6 billion pre-tax MAX charge. We saw solid widebody activities in the quarter and our backlog remains healthy at more than 5,500 airplanes worth $390 billion.

Also earlier this month, we launched our latest round of flight testing through our ecoDemonstrator program to assess new technologies from enhancing safety and environmental performance to improving the flying experience. We debut a Boeing 777 that will serve as the 2019 flying testbed for 50 projects. The majority of the test flights will fly on sustainable aviation fuel to reduce emissions and demonstrate the fuel's viability.

Now over to Defense, Space & Security. BDS reported second quarter revenue of $6.6 billion and booked $4 billion of new orders demonstrating the continued value we bring to our customers across our defense space and security portfolio. Those orders included contracts for a second lot of MH-47G Block II Chinooks for the U.S. Army; service life modification for the U.S. Navy's F-18 fleet; Wideband Global Satellite Communications for the U.S. Air Force; and a 5-year extension of Joint Direct Attack Munition tail kits spares repairs and technical services for the U.S. Air Force.

Key milestones for BDS included the first T-X trainer program flight test on contract with U.S. Air Force and successful completion of the Starliner's final parachute test in preparation for upcoming launches. We delivered five KC-46 Tankers to the U.S. Air Force in the quarter.

Year-to-date, we've delivered a total of 13 tankers. We look forward to continuing to work with our customer during their initial operational test and evaluation of KC-46 and we are committed to delivering the highest-quality product to our customers.

Turning to Global Services. BGS reported revenue of $4.5 billion representing 11% growth year-on-year. BGS continues to win new business highlighting the value we bring to our broad range of commercial and government customers and the strength of our One Boeing offerings.

During the quarter BGS won new business totaling approximately $4 billion, which included Performance-Based Logistics contracts for AH-64 Apache for

the U.S. Army and KC-767 Tanker for the Italian Air Force. BGS also received commitments from ASL Aviation Holding and GECAS for up to 45, 737-800 converted freighters.

And as announced at the Paris Air Show, we're excited about Boeing's first off-platform component service program with British Airways for the airline's A320 and A320neo aircraft.

Also in the quarter, aligned with our targeted vertical integration strategy to strengthen internal capabilities increase innovation and provide greater end-to-end value for our airline customers, we entered into an agreement to acquire EnCore Group an aerospace interiors company.

Additionally, through Boeing NeXt which leads our future mobility efforts, we announced the strategic partnership with Kitty Hawk Corporation to collaborate on future efforts to advance safe urban mobility. Progress also continues with the Embraer transaction as we work through regulatory approvals and other closing conditions. We still expect to complete the transaction by the end of the year.

In summary, our priority continues to be the safe return to service of the 737 MAX and we've continued to prioritize additional resources and focus on this effort. At the same time, we are maintaining our focus on keeping the business strong and healthy. As we demonstrated in the second quarter, our team continues to execute on operating performance and capture noteworthy additions to our large and diverse backlog.

With that let's turn to the business environment on slide 3. We continue to see healthy global demand for our offerings in commercial, defense, space and services. These are sizable sectors that are growing and backed by strong fundamentals with a combined market opportunity of $8.7 trillion over the next 10 years. That's up from $8.1 trillion in our previous forecast.

The increase was driven by strong commercial aviation fundamentals, airline productivity, widebody replacement demand and large stable defense and space markets as well as the need for life cycle services solutions. As a global company with customers in 150 countries, we are always mindful of the potential impact of geopolitical and macroeconomic forces.

We continue to track a host of near-term issues including the U.S.-China trade discussions. We believe in the mutual economic benefits of a strong and prosperous aerospace industry. In commercial aviation, while we have seen moderation of traffic in the first half of this year, global passenger traffic continues to grow faster than GDP and near long-term trends.

In 2018, we saw the ninth straight year of above-trend growth for passenger traffic. So far in 2019 passenger traffic has grown at a solid 4.6% through May. On the air cargo market, we saw a contraction in the year-to-date traffic. While we expect cargo traffic headwinds to linger in the near-term, we anticipate an improvement in the latter part of the year.

Our view of the demand fundamentals remains robust. We are highly confident in our industry outlook which now forecasts the demand for approximately 44,000 new airplanes over the next 20 years. That's up from approximately 43,000 in our previous forecast, doubling the size of the global fleet and requiring a sizable ecosystem of life cycle solutions to maintain and support it.

We continue to see sustainable long-term growth in commercial aviation, powered by mature and emerging economies, a growing middle class, and continued innovation in business models and products.

The changing nature of travel has fundamentally expanded traffic patterns with improved accessibility and affordability. At the same time, airlines are maintaining capacity discipline and keeping supply and demand in balance. They are also more balanced between airplanes purchased for fleet growth and replacement.

Of the 44,000 new airplane demand, 44% will go towards replacing aging aircraft leading to more stable purchasing patterns. We believe the evolution in these key market dynamics in aggregate continues to drive less cyclicality for our industry.

These long-term demand fundamentals provide a solid foundation for our commercial business. We are well-positioned in this market with a strong portfolio of airplanes, a large and diverse order backlog and a strong One Boeing team.

Additionally, we are forecasting demand for around 800,000 new civil aviation pilots and 770,000 new maintenance technicians over the next 20 years. About 80% of them will be for commercial aviation.

Meeting this strong demand will require a collective effort from across the global aviation industry. The aviation industry will need to adopt innovative training solutions to enable optimum learning and knowledge retention. The narrowbody segment will command the largest share of new deliveries.

We expect airlines to need more than 32,000 single-aisle airplanes in the next 20 years. These new airplanes will continue to stimulate growth and provide requirement -- and provide required replacements for older, less efficient airplanes.

Our 737 program has a backlog of more than 4,400 aircraft and a production skyline that is sold out into early next decade. Last month International Airlines Group, one of the world's largest airline groups, signed a letter of intent to purchase 200 737 MAX jets. We are honored by their trust and confidence that IAG is placing in the 737 MAX and ultimately in the people of Boeing and our deep commitment to quality and safety above all else.

In the widebody segment, we have seen steady order activities for the 787 and the 777 and have high confidence in a meaningful increase in widebody replacement demand early next decade.

In the near-term, we continue to monitor and inform the U.S.-China trade discussions. China is an important part of the global aircraft market and progress on this front will help support our widebody production rates.

The current-generation 777 continued its steady sales momentum with two new orders from DHL in the quarter and 12 new commitments and letters of intent from Qatar Airways which we firmed up earlier this month and also from China Airlines and Turkmenistan Airlines. These provide further support for the 777 bridge.

Turning to 777X, orders and commitments of 364 aircraft provide a strong foundation that supports our plan for ramping up production and delivery of this new aircraft. We continue to focus on further bolstering the 777X skyline.

On 777X development, our first two flight test airplanes are now in preflight testing. Overall the airplane is performing well in preflight tests with intermediate gauntlet and initial taxi tests completed during the quarter.

Our teams are currently focused on final systems, propulsion, and airplane level tests. However, the GE9X engine remains the pacing item as we work towards first flight. As we previously mentioned, GE, our engine supplier is working through some challenges with the engine that are putting risk on the overall test schedule.

Based on GE's latest assessment on what it will take to address these challenges, we are currently projecting that first flight will occur in early 2020 rather than in 2019 as we have previously mentioned. This scheduled flight is obviously disappointing given how well the aircraft has been performing in preflight tests and that we are on track on non-engine activities.

While we continue to target 2020 for first delivery of the 777-9 the engine issue has added significant risk to the schedule. We continue to work closely with GE as well as explore opportunities to improve the schedule such as

leveraging our system integration labs and additional airplane ground testing as we strive to meet this delivery target in a manner consistent with our commitment to safety.

We continue to expect 777 delivery rates to be approximately 3.5 aircraft per month in 2019. Given the pressure around 777X first delivery timeline, we are reassessing the 2020 skyline. In light of the strong demand for our freighter line, we intend to mitigate some of the impact by producing more 777 current-generation freighters in 2020.

Turning to the 787 Dreamliner, in the quarter we saw Air New Zealand, Korean Airlines, and Air Lease Corporation announce their commitments to purchase a total of 33 787-9 and 787-10s. Korean Airlines firmed up their orders last week. Our 787 backlog stands at more than 550 airplanes. Similar to the 777X, we will continue to focus on further bolstering the 787 skyline.

On our 767 program, we added six new 767 freighter orders in the quarter and as previously announced, we plan to increase the 767 production rate from 2.5 per month to three per month in 2020.

At Defense Space & Security, we continue see solid demand for our major platforms and programs. Looking at the defense and space market for the next 10 years, we see a $2.5 trillion market of opportunities for our business. About 60% of that is in the U.S., so there's tremendous opportunity around the world.

Our strategy of global reach with local presence is key to our success. You see that across Europe, Australia, India, and the Middle East to name a few. The BDS portfolio is well-positioned with mature world-class platforms to address current needs and innovative capable and affordable new franchise programs to build the future.

We continue to see broad support for our products from the Pentagon, NASA, and Congress including for procurement of the Boeing F-15EX and F-18 fighter jets, Apache and V-22 Osprey rotorcraft, JDAM weapons, satellite programs, the Space Launch System, and key derivative programs like the KC-46 Tanker and the P-8. We have also seen robust support for our future franchise programs.

We are maintaining a clear focus on these future franchises, including the ongoing MQ-25 and T-X development programs and our NASA Commercial Crew and Space Launch System programs at the leading edge of space exploration. Additionally, we're focused on leveraging our work to date on GBSD to help deliver this essential national security capability.

Turning to the services sector. We see the $3.1 trillion services market over the next 10 years as a significant growth opportunity for our company. This is a very dynamic and exciting marketplace, one that is driven by new technology and a relentless drive for greater efficiency, reliability and safety. BGS provides agile cost-competitive services to our customers worldwide. The future of commercial and government aircraft and services will be increasingly centered on technology and data services to drive smarter business decisions in commercial aviation and improve the commercial passenger experience and to enhance war fighter safety effectiveness and mission readiness.

We aim to continue growing faster than the average services market growth rate of 3.5% as we further expand our broad portfolio of services offerings and continue to gain market share. Strong orders of $4 billion in the quarter reflect our customers' recognition of our value proposition in helping them optimize the performance of their fleets and reduce operational costs through the life cycle. The market continues to recognize our broad and deep portfolio of digital solutions, which harness the power of big data to significantly expand fleet capability and cost savings for commercial and government customers.

During the quarter, we expanded our global rosters of customers, including announcements at the Paris Air Show by Delta Airlines and JetBlue Airways. We signed up for our crew navigation analytics and other solutions to help optimize their operations. In summary, with growing markets and opportunities ahead, our team remains committed to growth, innovation and accelerating productivity improvements to fuel our investments in the future. Our One Boeing strategy and offerings across our three businesses are key differentiators that strengthen our position as the world's leading aerospace company.

With that, Greg over to you for our financial results.

Greg Smith

Thanks, Dennis, and good morning everyone. Before we discuss the second quarter results let me also touch on the 737 MAX and explain how the grounding has impacted our financials to date and what we're doing to focus on today and going forward.

Let's move to slide 4 please. As previously announced, BCA revenue and earnings were reduced by $5.6 billion of pretax charge related to our estimate of potential concessions and other considerations to customers or disruptions related to the 737 MAX grounding and associated delivery delays. As Dennis mentioned, we will deal with the impact individually,

customer by customer and we will look at various forms of economic value that we can provide.

While the entire estimated amount has been recognized as a charge in the second quarter, we will expect any concessions or other considerations to be provided over a number of years. Therefore, you can expect the impact on our cash flow to affect 2019 and beyond. We currently see this impact to be more front end-loaded in the first few years, but of course it will depend on individual discussions with our customers on considerations.

We also booked an additional $1.7 billion of program costs on the 737 in the second quarter. This increase is primarily due to higher costs associated with the longer-than-expected reduction in the production rate. These include additional fixed costs and other items such as labor escalation support, parts and material. These costs will be spread across the undelivered aircraft in the accounting block of approximately 3,100 units and therefore reduce the 737 program margin.

As you know, when the program margin is adjusted it will affect the current quarter and the booking margin for subsequent periods. Also as Dennis said, we continue to work with the civil aviation authorities to ensure the 737 MAX's safe return to service and these authorities will determine the timing and condition of return to service. For the purpose of our second quarter financial results we have assumed that the regulatory approval in the U.S. and other jurisdictions begin early in fourth quarter 2019.

While this assumption reflects our best estimate at this time, I just want to reiterate that the actual timing and condition of return to service will be determined by the regulatory authorities and could differ from this assumption and our estimate. Our current second quarter results also assume a gradual increase in the 737 production rate from the current 42 per month to 57 per month in 2020.

We will also assume airplanes produced during the grounding, which are stored and included in our inventory will be delivered over several quarters following return to service. Any changes to these assumptions could require us to recognize additional financial impact.

With regards to cash, lower cash receipts due to fewer 737 deliveries and lower production rate combined with building and storing 737 aircraft adversely impacted operating cash in the quarter. Looking forward, the key drivers of our financial impact related to the 737 continue to be the return-to-service time line and conditions.

The delivery ramp-up which will be dependent on how fast we can deliver the aircraft once the fleet returns to service and how fast our customers can

accept the aircraft, but also the 737 production rate profile I discussed going forward; and discussions with customers regarding potential concessions and other considerations.

We expect our financial results to continue to be adversely impacted until we safely return the 737 MAX to service, ramp up production rates and resume deliveries to customers. We continue to perform detailed scenario planning around return to service and production rates, including analyzing the implications on our supply chain, customer fleet and deliveries to fully understand the range of financial outcomes.

We will continue to assess our current production plans and incorporate any new insights such as return-to-service time line, storage capacity and supply chain in our analysis to help inform us on whether further rate reduction or other options including a temporary shutdown of the MAX production are needed.

As discussed last quarter, we've taken steps amid current challenges to preserve the future value and growth of this important franchise program for our company and for our customers. The production rate adjustment to 42 per month we instituted starting in April has helped our factory health and also supply our progress to getting back to master schedule and improving consistency and stability.

We've also taken actions to prudently manage our liquidity and increase our balance sheet flexibility including raising additional debt. These actions also include even sharper focus on productivity and strategic prioritization of spending. We will continue to diligently review all levers available to minimize the financial impact.

As discussed last quarter given the dynamic 737 MAX return-to-service time line and activities we're not in the position today to provide forecast of the impact of the 737 MAX grounding on our full year 2019 financials.

We will provide you with an updated full year 2019 financial forecast when we have returned to service the MAX fleet our production plans and delivery ramp-up profile and corresponding financial impacts. Returning MAX safely to flight continues to be priority one for us. It has been a team effort that leverages the best talent from across Boeing and also outside experts.

The operating rhythm and the momentum of our cross-functional team has not let up since day 1. The team continues to meet daily with our Executive Council fully engaged.

We will continue to apply whatever resources are required to return the 737 MAX safely into the fleet and take the time necessary to do so working hand-

in-hand with our customers. At the same time we'll also remain focused on our priorities delivering results with excellence.

So with that let's move to slide 5 and I'll discuss our second quarter results. Revenue for the quarter was $15.8 billion with core earnings per share of negative $5.82 reflecting lower 737 deliveries and the MAX charge partially offset by higher defense and services volume.

Now let's discuss Commercial Airplanes on slide 6. Our Commercial Airplane business revenue decreased to $4.7 billion during the quarter reflecting the 737 MAX charge and lower 737 deliveries partially offset by favorable mix.

BCA booked negative operating margins in the quarter due to the 737 MAX impact partially offset by higher 787 margins. BCA backlog continues to remain strong at $390 billion and more than 5500 aircraft creating more than six years or production.

Let's now turn to Defense Space & Security results on slide 7. Second quarter revenue increased to $6.6 billion reflecting higher volume across derivative aircraft, government satellites, weapons and new franchise programs. It was partially offset by lower F/A-18 volume.

Our margins of 14.7% in the quarter include continued focus on productivity and a $200 million gain on a sale of property. Similar to what we saw last quarter the sale of this excess property is the result of the team's continued market based affordability efforts to optimize our footprint and productivity. During the quarter BDS won key contract awards worth $4 billion and our backlog stands at $64 billion with 31% from outside the U.S.

Let's now turn to Boeing Global Service results on slide 8. In the second quarter Global Services revenue increased to $4.5 billion reflecting the acquisition of KLX and higher international government services volume. Year-over-year growth of 11% for the quarter continues to outpace the average annual service market growth rate of 3.5%.

BGS booked operating margins of 15.1% and as I mentioned before BGS margins quarter to quarter are subject to fluctuations due to factors such as mix of products and services as well as performance on individual contracts. During the quarter BGS won key contract awards worth approximately $4 billion bringing its backlog now to $20 billion.

Let's now turn to cash flow on slide 9. Operating cash flow for the second quarter was negative $590 million driven by lower 737 deliveries and production rate offset by solid underlying performance and timing of receipts and expenditures.

As mentioned earlier, we expect continued working capital pressure to adversely affect cash flow until MAX deliveries resume. Strong operating cash flow from other parts of the business a strong balance sheet and future balance sheet levers will help provide adequate liquidity during this period.

In the second quarter we paid $1.2 billion in dividends and as I previously mentioned until we have clarity on the 737 return to service, we have temporarily paused our share repurchase program. However our long-term balanced cash deployment strategy and commitment remains unchanged.

Let's now move to cash and debt balances on slide 10. We ended the quarter with $9.6 billion of cash and marketable securities. As I mentioned earlier, we raised additional debt in the quarter increasing the balance by $4.5 billion to help shore up the liquidity position as we work through the current MAX challenges.

Our strategy of maintaining a strong balance sheet provides us with substantial borrowing capacity through capital markets access and unused credit facility of $6.6 billion.

Our long-term goals and strategic objectives remain unchanged. We will continue to use our three business unit strategy as a key differentiator in the marketplace, make prudent investments and leverage talent and innovation across the company.

So in summary, while focusing on the very important priority of a safe 737 MAX return to service and minimizing the significant impact on our customers and the flying public, our team keeps the core operating management, strong delivering results and meeting customer commitments. We recognize that we have a lot of work and not insignificant challenges in front of us in the weeks and months to come, but we're confident we have the right focus, team and resources to navigate through them.

We're committed to providing you with additional updates on the MAX return-to-service progress and production plans as we have more information. We'll strive to continue to keep all of our stakeholders informed through public statements and information posted on our website. Once we have further clarity, we will schedule a follow-up investor and media call to discuss the financial impacts and provide revised guidance.

So with that, I'll turn it back over to Dennis for closing comments.

Dennis Muilenburg

All right. Thank you, Greg. These are challenging times, first and foremost for the families and loved ones affected by these recent events, and also for

our dedicated people who work tirelessly to deliver on our mission to connect, protect, explore and inspire the world all with a relentless focus on quality and safety and doing so with the utmost integrity.

This is a defining moment for Boeing, and we're committed to coming through this challenging time better and stronger as a company. We'll stay true to our enduring values, while driving operational excellence across the enterprise. The safe return to service of the 737 MAX is our company's top priority.

I want to thank my Boeing teammates, who are delivering on this priority and on our other commitments of executing on our key priorities for our customers driving growth and operational excellence across the business in close partnership with our customers and suppliers and returning value to our shareholders. From engineers to analysts, to our factory teams and field service reps, to designers and planners, and to everyone at Boeing who has worked tirelessly to apply our culture of continuous improvement and learn from these events to innovate, to challenge, and to improve you have my sincerest thanks.

I'm humbled and inspired by the response of the people of Boeing and our many partners. The shared responsibility of safety binds us together and reinforces our purpose and mission as an aerospace leader.

The long-term fundamentals for our businesses remain strong and our key priorities are unchanged. Our One Boeing advantage has never been clearer, and we will leverage this unique strength to deliver and improve on our commitments to our customers and our partners around the world.

With that, we'll take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question comes from the line of Carter Copeland with Melius Research. Please go ahead.

Carter Copeland

Hey, good morning gentlemen.

Dennis Muilenburg

Good morning.

Greg Smith

Hi, Carter.

Carter Copeland

Hi. Greg, can you help us understand the relative degree of confidence you had or used to reach the financial impacts you announced last week and maybe how you thought about the variability in outcomes there, especially, I guess in the context of a temporary line stoppage that you both mentioned in your prepared remarks.

And then I guess related you said the phasing of those impacts would be front end-loaded, but can you maybe help us understand how you're thinking about that impact on the kind of higher-level multi-year cash flow trend you've talked about in the past? Thanks.

Greg Smith

Yeah, absolutely. Yeah, look obviously our booking position for the second quarter is our best estimate. And that's our best estimate based on a variety of inputs that we take into consideration and our engagement with the regulators, our software schedule, and our production plans the storage that you brought up all of that coming together in the second quarter. And again, that's our best estimate at this time.

Now, as I said and Dennis said, obviously, some of those assumptions could change from here and if they do, they could have financial impact further than what we've booked in the second quarter and we'll keep you up-to-date if that's the case. But again, based on all that information, that's the best estimate we've got right now.

And as far as the path forward on the customer concessions as we've said, we're working and will continue to work with each of our customers and talk about how we can help through this period around the grounding of the aircraft, but also as we move deliveries out. And those will be individual conversations customer by customer, but likely be multiyear-type I'll say financial outcomes and particularly around cash.

As we see it today, it’d probably be a little more front-loaded into 2019 and some of the early years, but then phase out over that period. But again, this will be based on individual conversations and we'll pull that together as those conversations become more mature.

As you look at the cash profile going forward, I maybe step back a little bit and take the MAX out of the equation for a second, and tell you that the balance of the company and I'd say the key puts and takes that we saw pre-MAX remain intact. So, all those fundamentals are still intact. The real

obviously outlier here is the MAX. And if the MAX returns to service based on the estimate that we have right now, then you'll obviously see significant cash in 2020 that will really be driven by those airplanes being delivered off the ramp at a higher rate, but as well as the production rate increases that we've talked about.

But until we have complete clarity on exactly that return-to-service date, and then the associated deliveries and production plan it's obviously TBD at this point. But again, the fundamentals remain intact and the objective certainly remains intact as well of having this year-over-year long-term cash flow objective. And like I said, the operating engine outside of MAX continues to achieve the results we expect.

And again lots of puts and takes as we move into the future years, but those are bounded very similar to the way they were pre-MAX. So it really is dependent on MAX return to service, and then that ramp-up from there. And as I said, we'll continue to keep you posted on that.

Carter Copeland

So it basically just sounds like the working capital reversal and the phasing of the settlements are the two big moving items for 2020?

Greg Smith

Yeah. Certainly, yeah as you think about 2020 like I said delivering off the ramp and not only our ability to deliver off the ramp at a higher rate, but as I said the customers ability to take those; the concessions and considerations as you said; obviously lower advances at this lower production rate that you're seeing currently and you'll continue to see; and then the 777, 777X schedule that Dennis talked about. So yeah, there's lots of moving pieces within there, but we're clear-eyed on all of those and we're running various scenarios around those and taking a lot of action as we indicated on the prior call to try to mitigate some of that risk.

So all this effort in the factory, and all this effort in the supply chain to get stable to get folks back on schedule and get productivity initiatives that we had planned for the year and using these additional resources to get those mature and ready, so when we do go up in rate and we do start delivering off the ramp, we're doing that in a most efficient way possible. So that's kind of the investment, I'd say, we're making currently to ensure and minimize that risk as we get return to service and start to put the airplanes back into the hands of our customer.

Carter Copeland

Great. Thanks.

Greg Smith

You're welcome.

Operator

Our next question is from Cai von Rumohr with Cowen & Company. Please go ahead.

Cai von Rumohr

Yes. Thank you very much. So the 777X schedule slip, what is the financial impact both in terms of – what does your skyline for next year look like? Can you hold the Classic at three and half per month? And what does it mean in terms of when the cash outlay for the 777X will peak? Thank you.

Dennis Muilenburg

Yeah. Hey, Cai let me jump in on that first and then I'll ask Greg to add on. First of all, just to give you a little additional context on 777X schedule on the airplane side of the effort, we've been very pleased with the progress. And over the last quarter, as we mentioned we did the final gauntlet test, so think of those as the airplane-level system integration tests in the factory. And we also did our initial low-speed and high-speed taxi tests under power.

All of that was very effective. We're very pleased with the results. So the airplane side of the equation here is progressing on plan and one of the cleanest development programs that we've seen. We're disappointed by the slip in the engine schedule and GE is steadily working through that challenge and getting their arms around the precise schedule for recovering. We'll be proceeding through engine testing as that solution becomes clear, but that does push our first flight out into early 2020, as we're currently projecting. We still expect this year to be our peak expenditure level on the 777X development program, but you're going to see the cash profile where we had hoped to get into the tailwind part of the program next year. You're going to see that extend out as first flight is extended out. Greg, do you want to add some additional color on that as well?

Greg Smith

Yeah. No, I think – I think Dennis framed that perfectly. And obviously looking at 777 opportunities and obviously we're seeing continued demand for that product and particularly around the freight market, and so we're feathering that in with this current revised schedule Cai. And really that's an

opportunity to meet the demands of our customer, but minimize the financial impact to us.

So lots of moving pieces in there, but we're continuing to work it. And like I said, the 777 continues to remain strong. It's certainly helping us through this period. And then the 777X skyline we talked about our priorities when it comes to widebodies in the market and certainly 777X and 787 continue to be high priority of filling in that skyline. So like Dennis said, we're disappointed considering the progress that's been made on the program. And these investments, we made to de-risk the development phase of the program, we're seeing the benefit of that today, but we're disappointed by where we are with that – with this engine. So we're trying to get ahead of this Cai and putting mitigating actions in place and really again minimize the impact on us, and ultimately on our customers.

Dennis Muilenburg

And as Greg said, the encouraging thing is the current 777 continues to do well in the marketplace. So we still expect our factory to be running a five per month production rate next year as we said our delivery rate of about three and half per month this year and we'll be looking at the exact delivery mix next year within that production rate the exact delivery mix of 777 to 777X. And so that's work that's still underway. We've got some work to do.

Cai von Rumohr

Thanks so much.

Dennis Muilenburg

You're welcome.

Operator

And next we go to Hunter Keay with Wolfe Research. Please go ahead.

Hunter Keay

Thank you everybody. Good morning.

Dennis Muilenburg

Good morning, Hunter.

Hunter Keay

Regarding the comment around potentially suspending the MAX line, when will you need to make a decision on that? What are some of the gating factors? And then – and once you resume deliveries what's the bigger concern between the customer's ability to accept and your ability to deliver it? Thanks.

Dennis Muilenburg

Yeah, Hunter first of all, when we take a look at the overall MAX plan and return-to-service plan as we said, our current best estimate is that, we return to service early in the fourth quarter. And as long as we remained solid on that assumption, we believe we can maintain our current 42 per month production rate, and as we said incrementally step back up to 57 a month as we go into 2020.

Now, if that estimate of return to service substantially changes then we'll have to consider alternatives. And every day, we are doing scenario planning, working through every dimension of this program. We're looking at the ongoing software update development, the regulatory approvals, the certification process, the return-to-service process, working hand-in-hand with our customers, supply chain health, production system health every dimension of the program. And we have that knit together. We understand it. We understand the ripple effects of any changes to the schedule, and we're going to continue to monitor that on a day-to-day basis.

Currently, and as I said daily, we're working with the FAA, EASA and other regulators as we step through the certification process headed back to ungrounding the fleet. We have a clear understanding of the work that has to be done, but there is still uncertainty in the time line. And we do have to go through a multi-regulator approval process and it's a complex process and one that will take time to get done.

The important thing here is everything is based on safety of the airplane. We are confident that when the 737 MAX returns to service, it will be one of the safest airplanes ever to fly. That is the most important thing here. We're going to take the time necessary to ensure its safe.

And as I said if any of the time line assumptions change significantly from a start of the fourth quarter return to service, then we'll have to evaluate alternatives. And those alternatives could include different production rates. They could include a temporary shutdown of the line, not something we want to do, but an alternative that we have to prepare for, I think it's a smart part of our thorough and disciplined process here to make sure we're covering all scenarios.

Hunter Keay

Thank you.

Operator

Next, we go to David Strauss with Barclays. Please go ahead.

David Strauss

Good morning. Thanks for taking my question. So Dennis, you talked about a software fix for this latest issue that the FAA identified. Are you sure it's a software fix at this point and not also potentially a hardware fix? And then, it's also being reported that EASA has five mutual requirements before it'll lift the MAX grounding. Is that in fact accurate? It seems to be more encompassing of what the FAA is talking about. And if so, is that accurate, they have these five requirements? And if so, is meeting those lineup what the September time frame that you've outlined? Thanks.

Dennis Muilenburg

Yes. David, let me give you a little context there. So, first of all, on the software update that's going on, we are confident that is a software update not a hardware update. Our process here as we step through certification is, we have the regulators come in and fly in our simulator and we test out a number of different conditions that are all part of the final certification. And during those simulator sessions, we identified this additional scenario that with the FAA, we decided that we would make this software update to mitigate a potential risk. And this was a simulated failure in our -- in the microprocessor of the airplane as previously reported.

That is a software update to address that risk area. It's an understood update and we're in the middle of working our way through that. The time line for approving that update and finishing up the certification is still uncertain as we're working through the details with the regulators. The FAA has also convened a number of multi-regulator boards and reviews and venues to bring in EASA, Transport Canada, Brazil, other regulators from around the world. And those convening sessions are bringing all of the questions to the table that any of the regulars have.

So the reports that you mentioned about the five questions from EASA, all of the questions from all of the regulators around the world are being brought together, convened and integrated with the FAA's leadership. So all of those inputs have been considered in our current timeline analysis and are all consistent with the time line that we've laid out here for submitting our certification package in the September time frame and a return to service in the October time frame. Now again, that's a time line that we base-lined for

the moment, but there's still uncertainty in the exact process that the regulators will step through.

Operator

Our next question is from Seth Seifman with JPMorgan. Please go ahead.

Seth Seifman

Thanks very much and good morning. Follow-up on a couple of questions that have been asked already and hopefully not be too repetitive. But just in terms of how you think about the rate and where the line should be? I appreciate the fact that you guys have to be very disciplined and thorough in your planning. But as we've seen over the past few months, it's not surprising to see the dates move around here and there. And when you balance some of the risks of continuing to producing 42 without delivering versus the risk that would emerge on the supply chain if you were to cut the rate significantly, I mean, is it safe to say that the type of slips that we've seen already which is a couple of months here and a couple of months there don't necessarily affect the rate?

Dennis Muilenburg

Yes. Seth, I guess the way to think about that is, we're continually assessing all of these different pressure points in the system and supply chain health is certainly one of the key considerations for us as we think about the production rate. We're also taking a look at storage capacity and our ability to take care of the airplane from the field, our return-to-service time line and the effect that will have on our customers and the work that needs to be done on preparing the airplanes.

So we're taking a look through all dimensions of these pressure points around the schedule. And no one item is going to drive the schedule. This is balancing all of the inputs in perspective. So, I won't make any dramatic assumptions around any one parameter. It's more of a balancing act as we continue to look at all of these dimensions.

Seth Seifman

Thank you.

Operator

Next, we go to Rob Spingarn with Credit Suisse. Please go ahead.

Rob Spingarn

Good morning.

Dennis Muilenburg

Good morning.

Greg Smith

Hey Rob.

Rob Spingarn

Dennis, you've said it a couple of times on the call now that you'd have the fix-in you think by September and hopefully recertification in October. Given that the FAA is in the building and working with you on this, what are the mechanics of what happens in that one month? Is the idea here that they will have already vetted most of this before they even receive the official submission? And then the other part of the question is, are you -- is discovery over here and we are just implementing and testing? Or is discovery -- new discovery still ongoing? Thanks.

Dennis Muilenburg

Yes. Rob, I would characterize this as an iterative process. So we are in daily communication with the FAA and other regulators. Our teams are daily working on software updates, running through simulator sessions. There's a great deal of certification -- documentation that needs to be completed.

So all of that engineering work is underway. As we complete that work and complete the documentation of what's called the system safety assessment that will lead into the final formal certification process, which will include a certification flight test. And then subsequent to that flight test we'll submit the final documentation that will go through the FAA's normal approval process.

In parallel to that we have a number of pilot evaluations that will be done. There's a joint operational evaluation board that will look at the training dimension of bringing the MAX back up and flying. So all of these are parallel activities that we're working jointly with the regulators but it is an iterative process. And as we go through those iterations it's possible that we will discover new items.

So our goal is over time to close out uncertainty, answer questions that are coming in from the regulators. We're making good, steady progress on that. We see convergence, so we know we're making progress. But until we complete all of the certification activities there's always some risk of new

items opening up. And so that's why we try to be very disciplined about the engineering process here but also our scenario planning to account for any of these potential uncertainties. And until we get through the final certification step and we all confirm that the airplane is safe, we won't return to service. So that's really the pacing item here.

Rob Spingarn

Thank you.

Operator

Our next question is from Jon Raviv with Citigroup. Please go ahead.

Jon Raviv

Thanks, everyone. Dennis, can you give us some perspective on the widebody market please, some thoughts on why you're not over supplying as some of your competitors might have suggested and also how you're achieving what some have suggested are very aggressive prices?

And then just a little bit also on the near-term versus long-term dynamics in that market, including China. Why is that a near-term driver and then more of a replacement dynamic in the 2020s? Thank you.

Dennis Muilenburg

Yeah. You bet Jon. Well, a couple of things. One, as you look at our current market outlook as I mentioned in my comments, we continue to see strong overall growth. And if you look at the next 20 years, the world needs about 44,000 new commercial airplanes, up from about 43,000 in our previous forecast.

So directionally the market continues to expand. The fundamentals are solid and passenger traffic in particular continues to expand. A key part of that future demand is the widebody marketplace. We continue to see a significant wave of replacement demand early in the next decade as we've said before. And we believe our 787 and 777X families are perfectly positioned for that replacement wave that's coming. And you can see that our products are winning in the marketplace.

Despite a fairly tough marketplace in terms of overall orders, so far this year our widebody segment has been doing well. And we've been winning in the marketplace with both the 787 and the 777X and I think that speaks to the value that we're providing customers.

So I can't comment on our competitors' comments that you mentioned but I can comment on the fact that our customers see value in the 787 Dreamliner and 777X. That's showing up in orders. And while we still have work to do on the skyline as we noted for both 777X and 787, we feel confident in the production rates that we've laid out. And you've seen that with the 787 currently running at 14 a month, we're continuing to gain efficiency on that line and that's allowing us to be even more competitive in the marketplace.

So we're going to be mindful about filling the future skyline. We're mindful of those risks and we'll continue to pay attention to that. But the long-term marketplace for widebodies is solid and our family of products is well-positioned to compete and win.

Jon Raviv

Thanks. I'll stick to one.

Operator

Next we go to Ron Epstein with Bank of America Merrill Lynch. Please go ahead.

Ron Epstein

Yeah, hey good morning guys.

Dennis Muilenburg

Good morning Ron.

Ron Epstein

So one thing that really hasn't come up too much in the call is where do we stand on NMA. And on NMA when we kind of stand back and look at it, given the difficulties that we run into on the MAX and the difficulties on 78 and the difficulties on 74-8 and the difficulties on KC-46, how do we get comfortable around NMA? And can you just talk about that?

Dennis Muilenburg

Yeah Ron. First of all to put it in context, we continue to have a dedicated team that's working on NMA, working through our business case. Our assessment of the market opportunity hasn't changed. We see a potential market there for 4,000 to 5,000 aircraft and we continue to see significant customer interest in that marketplace.

But in terms of relative priorities, it's clear that our top priority is getting the 737 MAX return to service safely and so we have prioritized that in terms of resourcing and focus for our company. And that will be first and that is ahead of our NMA work.

That said, we're continuing to progress on building our business case and when and if that business case closes, we would make a launch decision. We still see it as a two-step decision process as we've described previously. And we're not going to run to any artificial time line. We're going to make decisions based on disciplined data and as the business case close.

Part of that business case is addressing development program risk as you noted and we are investing significantly in improving development program performance. We know it's an area that needs continued improvement going forward. This gets in all the work we're doing on things like model based engineering, our digital transformation, production system of the future. These are all important elements of reducing development cost and also de-risking development programs for the future. That's all part of what goes into the business case for NMA and our confidence in the maturity of those new tools and the ability to implement them at scale on our development program will be part of the decision process.

Ron Epstein

Okay. Thank you.

Operator

Our next question is from Doug Harned with Bernstein. Please go ahead.

Doug Harned

Thank you, good morning.

Dennis Muilenburg

Good morning, Doug.

Doug Harned

On the MAX, as you look toward presumably the September time frame, one of the issues that's been out there has been training requirements. And if you look across a number of aviation authorities there, appear to be very different views also across airlines. When you consider different scenarios for what training requirements will be whether they're full simulator computer-based, how could that affect your ability to deliver even if we get certification in the time frame that you're hoping it will occur?

Dennis Muilenburg

Yeah, Doug. That's another area that we're paying close attention to and working daily. So as part of our ongoing work, not only the software update on the MAX, we've also made a comprehensive update to the training materials and expanded educational resources. And that is being done in concert again with regulatory authorities and with our customers around the world.

In fact, we've conducted, as I mentioned earlier, hundreds of simulator sessions with customer pilots around the world to get their inputs on the training packages and some of the updates that we're making. So that work is going on in parallel. The next significant waypoint in that process is something that's called the Joint Operational Evaluation Board.

That is a convening of regulators and government pilots that will fly the airplane with the updated software. They will evaluate the training curriculum and will make final recommendations on the overall training requirements.

And we have prepared a comprehensive set of computer-based training modules that we're confident will address the training needs for the MAX. But in addition to that, we've also prepared options and are continuing to work through options for simulator-based training for airlines that may want that or regulatory agencies that may require it.

And we do expect in the end that we'll have a consistent set of computer-based training that all airline customers will use and there will likely be some selective use of simulator-based training. It depends on the maturity of the fleets and whether they already have MAX aircraft or whether MAXes are new to their fleet. It depends on their pilot training curriculum.

Some airlines will use simulator training as part of their normal recurrent training. Some may want training upfront before they fully return the fleet to service. So that can be a pacing item, Doug, as you noted and it's another one of those uncertainty elements that we're working our way through.

That's why when we say return to service early in the fourth quarter we have to work through all of these uncertainties: the software update and the certification of the airplane itself as well as the training curriculum as well as preparation for all of our customers to get the fleet back up and running.

And we have good understanding of each of those workflows. We know the work that has to be done. We are on it on a daily basis. But the exact time line for completing all of that and getting regulatory approval across the board is still uncertain, and that's why we keep saying we've made our best

estimate of that time line, but we're also protecting for uncertainty of that time line with our scenario planning.

Doug Harned

Okay. Thank you.

Operator

Next we go to Myles Walton with UBS. Please go ahead.

Myles Walton

Thanks. Good morning.

Dennis Muilenburg

Good morning.

Myles Walton

I was hoping that you could comment on -- with the new updated time line if you have made changes to those suppliers you're maintaining at a higher than 42 a month rate. And then, also if you can maybe talk about the logic between a temporary shutdown versus just a more significant leg down in your production rate of 42. Thanks.

Dennis Muilenburg

Yeah. Myles, a couple of things. One is our solution on the supply chain plans and the scenario planning we're doing varies by supplier. So we have some that are supplying at our production rate, others that are continuing to run at higher than our 42 a month production rate. It's really tailored supplier-by-supplier. In some cases, we had suppliers who were behind schedule, and we'd use the opportunity here to catch up to master schedule as Greg mentioned.

Obviously CFM with the engine, Spirit on the fuselage as examples there where we've been able to increase -- improve our production's health and stability by having them run at a higher than 42 a month production rate. With CFM, for example, we're also working to sustain that higher production rate to make sure we have sufficient engine spares available when we return to service. So each of these are tailored plans, and it's all part of the supply chain health that we're thinking our way through with more than 600 suppliers on the MAX program.

Regarding your latter questions, we think through production system planning, it depends on the time line and our understanding of the time line. If we are able to maintain our early fourth quarter return to service again we hold it at 42 a month production rate, if we have a significant change we would consider alternatives.

Stepping down to a lower production rate below 42 a month, presents some challenges more broadly to our supply chain synchronization of our workforce as well, learning how you would consider ramping back up later and the impact of that. So in some cases, depending on time line, a temporary shutdown of production line could be more efficient than a sustained lower production rate. And that's what we're thinking our way through.

If you had a temporary shutdown if it was necessary that is one way to reduce the outflow of airplanes and the storage requirements while to a degree maintaining supply chain health and workforce learning for consistency in the production system. So we're thinking through all of those parameters and making sure we have all those scenarios available.

Maurita Sutedja

Operator, we have time for one more analyst question.

Operator

And we'll go to Sheila Kahyaoglu with Jefferies. Please go ahead.

Sheila Kahyaoglu

Thank you. Good morning.

Dennis Muilenburg

Good morning, Sheila.

Sheila Kahyaoglu

Just to elaborate on the global demand environment a little bit more, what are your thoughts on air traffic decelerating close to the 4% to 5% long-term rate? What are watch items there? And as it relates to that, how do you think about the service business and implication from the MAX to that segment? Thank you.

Dennis Muilenburg

Yes, Sheila, on the overall market, the fact that we've been operating at a 4.6% passenger traffic growth through May, is not surprising to us. We expected some slowdown in the early part of the year. Some of this has been driven by local effects. The MAX, to a degree, has played into this. Local airport shutdowns in a couple of key locations have impacted it.

But we don't really see a macro driver behind the passenger traffic numbers year-to-date and it is consistent with the longer-term trend of continuing to grow it faster than GDP. So our overall confidence in the market and our 20-year growth outlook, our current market outlook, remains solid. And I wouldn't read anything more than that into the passenger traffic stats that we've seen so far this year. And the second half of your question was?

Greg Smith

Service business.

Dennis Muilenburg

On the services business.

Greg Smith

The MAX, yes.

Dennis Muilenburg

So, on the MAX impact, we have seen some impact of the MAX grounding on our services business. Things like engine overhauls, for example, have been pulled back a bit as we have customers who are keeping existing airplanes in service longer, because of the less capacity in their fleets.

They're deferring some engine overhaul work, so some ripple effect into our services business. I wouldn't say it's extensive, but some impact that we've seen. And again, we expect that to be localized and temporary, nothing that we're seeing as a long-term trend change.

Operator

Ladies and gentlemen, that completes the analyst question-and-answer session. [Operator Instructions] I will now return you to The Boeing Company for introductory remarks by Ms. Anne Toulouse, Senior Vice President of Communications. Ms. Toulouse, please go ahead.

Anne Toulouse

Thanks, John. Good morning. We'll continue with questions for Dennis and Greg. For those in media, if you have additional queries following this session please call our team at (312) 544-2002. Operator, we're ready for that first question. And in interest of time, we ask that you limit everyone to just one question.

Operator

And first we go to Julie Johnsson with Bloomberg. Please go ahead.

Julie Johnsson

Hi. Dennis, you've talked in the past about how the MAX experience has been. The last few months have been gearing for your personally, but just an enormous challenge for Boeing. And there's been some discussion of lessons learned and I think a lot of people would like to actually hear a little bit more about what those are. And what's changed in terms of how Boeing operates and how it approaches designing and certifying aircraft?

Dennis Muilenburg

Yes, Julie, let me make a few comments on that note. I appreciate the question. Certainly, it's been a challenging time for us as a company, but more broadly across the aviation industry. And one, I think, this whole situation has certainly reinforced the importance that we place on safety and quality and reminded us of the importance of the work we do. And we know that lives depend on the work we do and this is just further reinforcing that and reinforcing our commitment to safety and quality. And in the end, that's going to make us a better, stronger company.

We are taking a look at all of our airplane design and certification processes end-to-end. As you know, we have a Board Committee that we've stood up and they're doing a lot of hard work right now, looking through all of our processes. We also have a number of external government reviews that are ongoing, looking at certification processes. Any learnings from that we will certainly incorporate going forward.

And then, we're also taking a look at things around communications and integration and how we can make sure safety issues if found or recognized, those quickly come to the surface, can be dealt with, that we have effective communications with our customers and all the constituencies that are involved. And those are changes that we'll be making as well for any lessons learned. This is all about ensuring that we have the right safety and quality culture for the future. We have a very solid foundation of that today, but we also know we can always get better and that's our focus.

Operator

Our next question is from Eric Johnson with Reuters. Please go ahead.

Eric Johnson

Hi. Thank you. Dennis, so do I understand it correctly that you have to sell more 777 freighters to avoid a slowdown in 777 output due to the 777X delays? And how easy is that at a time of global trade tensions?

Dennis Muilenburg

Yes, Eric, as I said, we look at the skyline mix through 2020. With the delay in first flight of the 777X, it's obviously going to put pressure on entry-into-service timing. We're still holding 2020 for first delivery.

But we know there's clear pressure on that, given the delays in first flight. So we are taking a look at production skyline mix in 2020.

And as we mentioned earlier, we anticipate that means we'll probably build more current-generation 777s, 777 freighters in that time frame. The good thing is the market signals are positive there.

We've made progress on continuing to sell 777 freighters including during this last quarter. We continue to see strong demand signals there. And so our ability to maintain the production system at five a month and alter the delivery mix between 777s and 777X.

We're confident we can do that. We have work to do to fill out the specific orders and delivery slots. But the good news is that the 777 bridge is strong and we continue to see a lot of demand for the 777 freighter.

Operator

Next we go to Dominic Gates with The Seattle Times. Please go ahead.

Dominic Gates

Good morning. The news you've delivered today, gives us two very different scenarios for production in Renton. The one scenario there's a possible shutdown. And the other scenario, you're ramping up from 42 to 57 a month in a year basically.

I just want you to address, how -- they look like there are some optimistic assumptions in there. You're going to fly the plane in September is your hope. But usually after a flight test it takes weeks for the FAA to process the documentation. And analyze all the data from the flight test.

So it does seem optimistic that you would then enter service in October. And then, it seems equally optimistic that you could ramp up from 42 to 57 in a year. You normally take a lot of incremental pieces that takes half a year to get from 42 up to 57.

So, what is the trigger for which scenario happens in Renton? If you slip into next year for entry into service, does that mean a shutdown?

Dennis Muilenburg

Yeah, Dominic there's no one specific trigger. Again, as I said, we're laying out a multitude of scenarios given all the variables in the schedule here. Our current best estimate, as we said is to deliver our certification package, including the certification flight in that September time frame. And then return to service in the -- early in the fourth quarter.

And you're right, post certification flight it's typically a process that's measured in a number of weeks with the regulators including the FAA to evaluate all of that data, to confirm it, and to give us approval to unground the fleet and return to service. We have taken our best estimate at that and factored that into the analysis and numbers that we shared with you today.

And we are assessing that on a daily basis and working hand-in-hand with the FAA in this process. And we are dependent on the FAA and other regulators for achieving that time line. And we're going to work very closely with them to do that. If that time line changes significantly, we will have to evaluate these other scenarios.

And, there's no one specific trigger, but know that we're going to continually look at this as, what is the optimum solution for our customers, to ensure first of all safety of flight and to help them return to service in a healthy way.

And while we do that maintain production system health, both within our own factory in Renton as well as our supply chain health. That includes a very close focus on our workforce, the health of our workforce, stability of our workforce as well as all these other parameters around storage and other factors that play into the schedule.

Now we're going to continue to balance all of those. To your point about our ability to ramp up later, I will remind you that, we have been at higher production rates previously. So we have experienced, not only up to 57 a month, but at 52 a month.

And that experience, that learning, that understanding, gives us confidence in how we can rate back up. And we've factored that into our analysis as

well. And I think you've also noted that, even though we have stepped down to 42 a month on our production rate, we have held our workforce in Renton.

And we place incredible value on our teammates there. And the incredible work that they do. And we're working every dimension we can to preserve that workforce and maintain that learning for future production system ramp-up, so all of these things are factoring into our decision process.