Operator

Good day, everyone and welcome to The Boeing Company's Second Quarter 2017 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'm turning the call over to Mr. Troy Lahr, Vice President of Investor Relations for The Boeing Company. Mr. Lahr, please go ahead.

Troy Lahr

Thank you and good morning. Welcome to Boeing's second quarter 2017 earnings call. I'm Troy Lahr, 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 and Strategy. After management comments, we'll take your questions. In fairness to others on the call, we ask that you limit yourself to one question. We have provided detailed financial information in today's press release and you can follow the broadcast and presentation through our website at boeing.com.

Before we begin, I need to remind you that any projections and goals in our discussion today are likely to involve risk, which is detailed in our news release, various SEC filings and the forward-looking statement disclaimer in the 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'll turn the call over to Dennis Muilenburg.

Dennis Muilenburg

Thank you, Troy and good morning. My comments today will focus on our second quarter results, the health of our business environment and our performance and growth plans. After that, Greg will walk you through the details of our financial results and our outlook.

With that, let’s move to slide 2. Thanks to the dedicated efforts of employees throughout our company, Boeing delivered second quarter 2017 financial results that included strong operating performance and robust cash generation. During the quarter, we generated $5 billion of operating cash and repurchased $2.5 billion of Boeing’s stock as we continued to deliver on our commitment to returning cash to shareholders, while investing in innovation, future growth and our people.

From 2012 till now, we've repurchased more than 200 million shares and increased our dividend per share by 190%. Revenue in the second quarter was $22.7 billion, reflecting planned production rates and timing of commercial and defense deliveries. Core earnings per share of $2.55 was driven by solid execution across the company. Based on our strong first half 2017 performance and improving confidence in our outlook, we are raising full year guidance for operating margins, earnings per share and operating cash flow. Greg will discuss these in more detail shortly.

Now, let's look at the second quarter operating performance for our businesses. For the quarter, commercial airplanes generated revenue of $15.7 billion on 183 deliveries and reported operating margins of 10%. The healthy pace of sales announcements at the Paris Air Show contributed to 183 net new airplane orders or $22 billion during the quarter, adding to our already robust backlog that now stands at more than 5700 airplanes.

Other key commercial milestones in the quarter included delivering the first 737 MAX 8, launching the 737 MAX 10 and manufacturing the first 777X test parts in our new composite wing center. Also, the second third and 787-10 aircraft entered the flight test program ahead of schedule.

Boeing Defense, Space and Security reported second quarter revenue of $6.9 billion. Operating margins were a record for this business segment at 12.9% on continued strong operating performance. New orders booked during the quarter totaled $5 billion, including a $1 billion award from the US Missile Defense Agency, a contract for the UK Ministry of Defense for 38 Apache attack helicopters and an F-15 support contract with the Defense logistics Agency.

Key milestones for our defense and space unit included a successful ground based midcourse defense intercept test and first flight of the second production ready TX trainer aircraft. Also as part of our next step in driving market based affordability, Defense, Space and Security announced a more streamlined organizational structure, designed to accelerate decision making, further improve productivity and enhance our competitive position. Overall and to summarize for the quarter, we delivered solid execution across the company, generated strong cash flow, increased our backlog and returned significant cash to shareholders.

With that, let's turn to the business environment on slide 3. We continue to see healthy demand in our commercial Defense, Space and Services markets. In the commercial airplane market, airlines continued to report solid profits and passenger traffic continues to outpace GDP with traffic growth 8% through May. Also, cargo traffic is starting to experience a healthier recovery with 10% freight traffic growth over the first five months of the year. Beyond positive traffic growth trends, we've seen over the past few years an evolution in key market dynamics that we believe in the aggregate are driving greater stability and far less cyclicality for our industry.

For example, demand is more geographically diverse and balanced across the globe. It is more diverse and balanced across the spectrum of customer business models as well. There's also more balance in demand between new airplanes needed to replace older airplanes and those needed to support fleet growth requirements and consumer purchasing patterns to become more stable and consistent, driven by sustained and increasing airline profitability. Reflecting these shifts, we recently updated our 20-year commercial market outlook and we now forecast $6.1 trillion of demand for approximately 41,000 new airplanes over the next 20 years, an increase of more than 1400 aircraft from last year. More specifically, we see demand for more than 29,500 aircraft in the single aisle market and approximately 9100 aircraft in the wide body market.

This long term demand combined with healthy market conditions and a robust backlog provide a solid foundation for our planned production rate increases. Our high confidence in increasing 737 production to 57 per month in 2019 is based on our existing backlog of nearly 4500 aircraft and a production skyline that is oversold through the end of the decade. In the wide body market, we continue to see some varying levels of near term demand across aircraft models. However, we have seen steady orders and have high confidence in a meaningful increase in wide body replacement demand early in the next decade. 777 production for 2017 is sold out and for the current generation 777, we have 111 orders in backlog, which includes four additional aircraft that we booked in July.

Production continues at the seven per month rate before we lower the production rate in August to five per month and as we've previously stated, that production rate will result in 777 deliveries of approximately 3.5 per month in 2018 and 2019 as we transition production to the 777X. At that rate and with the existing orders and commitments in place, we are now in an oversold position in 2018 and approximately 90% sold out in 2019. While we still have more work to do to fill the remaining 777 production slots, based on the current environment and our ongoing sales campaigns, we believe the rate plan that we put in place establishes a floor for the program and supports our production bridge from the current triple 777 to the 777X.

And we have a strong foundation of 340 777X orders and commitments that support our plan for ramping up production and delivery of the new 777X. Our 787 Dreamliner program also stands on a strong foundation for long-term production with over 700 firm orders in our backlog. The recent order from AerCap for 30 787-9 Dreamliners illustrates continued healthy near term demand for this unmatched fuel efficient family of aircraft. As we've discussed on prior calls, we have a focused effort underway to secure additional 787 orders to support the 14 per month production rate planned for the end of the decade. We remain disciplined in our ongoing 787 production rate assessment, with an emphasis on production stability, growing profitability and ensuring that supply and demand are kept in balance.

Turning to Defense, Space and Security, we continue to see solid demand for our major platforms and programs. In the enacted FY17 federal budget, Congress added 7 AH-64 Apaches, 12 F-18 Super Hornets and four V22 Ospreys as well as a significant funding increase for space launch system. We're also seeing strong support for numerous Boeing programs above the president's FY18 budget request. International demand for our defense and space offerings remains high as well, in particular for Rotorcraft, commercial derivatives, fighters and satellites.

We continue to make progress towards completing a healthy mix of previously announced international sales, including 36 F-15 fighter aircraft to Qatar, 28 F-18 fighter aircraft to Kuwait, up to 48 Chinook helicopters to Saudi Arabia and the final C-17 to India. Our investment in future growth and new sales continues in areas that are priorities for our customers, such as commercial derivatives, Rotorcraft satellites services, human space exploration and autonomous systems.

As part of these efforts, we're also leveraging capabilities and technologies across the enterprise by winning future franchise programs such as the JSTARS recapitalization, Ground Based Strategic Deterrent, Unmanned Carrier Based MQ-25A and the T-X Trainer, along with advanced weapons programs and other important opportunities.

Turning to the services sector, we see the $2.6 trillion services market over the next 10 years as a significant growth opportunity for the company. To capture an increasing share of that growth, our new Boeing Global Services business is focused on traditional services such as parts, modifications and upgrades as well as new offerings, utilizing data analytics and information based services. Comprised of major elements from our formal commercial aviation services and global services and support groups, Boeing Global Services successfully began operating as an integrated new business unit on July 1st and it has already begun capturing key market opportunities.

On the defense services side, we announced exclusive aftermarket distribution agreements with GE Aviation and Rolls-Royce for engine spare parts that have a combined potential value of more than $10 billion over the life of the program. Also during the quarter, Norwegian selected Boeing global services provides flight training across its entire Boeing fleet and in part to fuel our growth in digital aviation, we launched Boeing analytics.

It brings together our enterprise capabilities and the work of more than 800 analytics experts across our company, we are focused on transforming data into actionable insights and customer solutions. With growing markets and opportunities ahead, our team remains intensely focused on growth, innovation and accelerating productivity improvements to fuel investments in our future. The gains we have achieved thus far this year and those we expect in the months ahead are reflected in the increased guidance for margins, earnings per share and cash flow that Greg will discuss in more detail.

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

Greg Smith

Thanks, Dennis. Good morning, everybody. Let's turn to slide 4 and we'll discuss our second quarter results. Second quarter revenue came in as planned at 22.7 billion, while core operating earnings per share increased to $2.55, driven by solid performance across the portfolio.

Let's now move to commercial airplanes on slide 5. For the second quarter, our commercial airplane business reported revenue of 15.7 billion, reflecting the execution of planned production rates and timing of deliveries. BCA operating margins were 10% on solid execution on production programs and within our services business. As Dennis indicated earlier, BCA captured $22 billion in net orders during the second quarter and backlog remains very strong at 424 billion, more than 5700 aircraft, again equating to more than seven years of production. Cost performance on the 787 program continues to improve with deferred production balance declining by $531 million in the quarter.

Turning now to Defense, Space and Security results on slide 6. Second quarter revenue on our defense business was 6.9 billion and operating margins were 12.9%, largely driven by strong performance at military aircraft and Global Services. Boeing military aircraft's second quarter revenue was 2.9 billion, reflecting the planned wind down of the C-17 program. Operating margins of 13.2% reflect overall solid core operating performance. Network and space systems reported revenue of 1.7 billion on planned timing of satellite volume and operating margins were 9.1% for the quarter. Global Services & Support revenue was 2.3 billion, reflecting timing of contracts. And mix in operating margins of 15.4%, reflecting strong execution across the portfolio and favorable contract mix. Defense, Space and Security reported backlog at $58 billion with 37% of that from international customers.

Let’s move to cash flow on slide 7. Operating cash flow was very strong at $5 billion for the second quarter, driven by solid operating performance across the company and favorable timing of receipts and expenditures. With regard to capital deployment, as Dennis mentioned, we repurchased 13.6 million shares for $2.5 billion in the second quarter and for the first half of the year, we've completed 28.5 million shares, totaling $5 billion. Our continued balanced cash deployment efforts reflect our ongoing confidence in the long term outlook for our business. We anticipate completing the remaining $9 million repurchase authorization over approximately the next year. Returning cash to shareholders along with continued investment to support future growth again remain a priority for us.

Let's move now to cash and debt balances on slide 8. We ended the quarter with $10.3 billion of cash and marketable securities. This cash position provides us flexibility to invest in highly profitable growth opportunities, while again also returning cash to shareholders. We also announced today that we're taking action to further de-risk the company by accelerating $3.5 billion of pension funding, which we expect will eliminate nearly all future mandatory pension funding through 2021.

During the third quarter, in addition to the previously announced $500 million cash pension contribution, we will make another 300 -- $3.5 billion of discretionary pension contribution using Boeing common shares. We will utilize our strong cash position to increase share repurchase by the 3.5 billion above our prior plan for 2017 and we now expect to repurchase approximately $10 billion of Boeing common shares for the full year. We continue to expect operating cash flow to grow annually through the end of the decade and we remain committed to returning approximately 100% of free cash flow to investors. Over the past several years, we have taken meaningful actions to reduce risk in cyclicality in our business and today's actions are another step in that direction.

Let's turn now to slide 9 and we’ll discuss our outlook for 2017. We increased 2017 core earnings per share guidance by $0.60 to now be between $9.80 and $10, driven by improved performance across the company and lower than expected tax rate. We're also increasing BCA margin guidance to greater than 10% and BDS margin guidance to greater than 11.5%. As Dennis indicated earlier, we're also raising cash flow guidance for improved performance in tax savings from the additional pension funding. Cash flow guidance is increasing by 1.5 billion to 12.25 billion with approximately $700 million related to tax savings and about $800 million on improved operating performance. We're also lowering CapEx guidance, spending guidance by 300 million to $2 billion for the year on improved efficiency, disciplined spending and some favorable timing.

So in summary, our core operating engine continues to deliver strong results, increasing momentum for our company. In the second half of the year, an important focus for us will be ensuring that continued seamless ramp up of Boeing Global Services and leveraging our new three business unit strategy in the marketplace. We'll also be expanding our efforts in driving key cross enterprise levers to improve productivity and affordability and accelerating innovation across the company, all with an eye towards profitable growth in the second century.

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

Dennis Muilenburg

All right. Thank you, Greg. With a strong first half of the year behind us, our team remains focused on further driving both growth and productivity. In addition to the encouraging commercial airplane market dynamics I mentioned earlier in my remarks, we've also taken our own actions to reduce cyclicality in our business, including remaining disciplined in our production rate decisions, de-risking our pension liabilities, strategically phasing our research and development spending, creating labor stability with long-term contracts and expanding our services business, which is also less cyclical.

Our priorities going forward are to leverage our unique One Boeing advantages, continue building strength on strength to deliver and improve on our commitments and to stretch beyond those plans to sharpen and accelerate our pace of progress on key enterprise growth and productivity efforts. Achieving these objectives require a clear and consistent focus on the profitable ramp up in commercial airplane production, continuing to strengthen our defense and space business, delivering on our development programs, growing our integrated services business and leveraging the power of our three business unit strategy, driving world class levels of productivity and performance throughout the enterprise to fund our investments and innovation in growth and to develop and maintain the best team and talent in the industry.

All of which positions Boeing for continued market leadership, sustained top and bottom line growth and to create increasing value for our customers, shareholders, employees and other stakeholders.

Now, we'd be happy to take your questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first questions comes from the line of Doug Harned with Bernstein. Please go ahead.

Doug Harned

Dennis, in the past, you've talked about taking free cash flow up sequentially year-over-year. You've obviously got a very big free cash flow number this year, an increase. And first, I want to make sure that's still true in the following years, but I'd like to understand two aspects of it. First, is your outlook with rising free cash flow assume that you'll get to the mid-teens target for margins that you've talked about in the past or could that be additional upside? And then second, on CapEx, you've taken down CapEx 300 million for this year. How does that fit in with the trajectory going forward where you've got the 777X and you potentially may have longer term new mid-size airplane coming out. So how do you think about both aspects of the cash flow trajectory?

Dennis Muilenburg

Doug, first of all, on your initial question, absolutely confirm, we still expect year-over-year cash growth throughout the end of the decade even with a higher foundation starting point for that based on the performance this year. We still expect year-over-year cash growth going forward. A lot of that again is driven by just fundamental performance in the business, increasing profitability on the 787, you can see the progress we're making there and we expect to make more progress going forward, the ramp up on 737 production and just fundamental improved performance across our program. So we still expect this to be a sustained year-over-year cash growth business.

And our work on margins, as you referenced, contributes to that. We still have our target out there for our teams to get to 15% margins by the end of the decade. You can see that we're making progress towards that target. And as we've mentioned to you before, we expect that to be steady progress, not progress that awaits till the end of the decade, we expect to see incremental margin improvement over the next several years. That is a contributing factor and we're keeping that target closely in focus.

And then on the CapEx point, you did see us reduced our guidance for the end of the year in terms of CapEx spend this year, reflecting some efficiencies in our performance as well as a bit of timing, but you should expect to see a very stable CapEx profile going forward. Part of our plan for the company is to have a non-cyclical business and a well-tailored R&D and CapEx profile and we think as we're in the middle of 777X over the next few years, that'll be winding down. We have other investments that we're contemplating for the future, but all of those are feathered in to provide us a very nice stable CapEx and R&D profile for the rest of the decade.

Doug Harned

Does that CapEx reduction reflect anything about how triple 777X is proceeding?

Dennis Muilenburg

I think it gives you a sign that the program is proceeding on plan. We have hit the peak on the CapEx spending for 777X, the project Wing Center was one of our big investments there. We're now building initial production parts in the composite wing center, so 777X is moving forward right on plan and we expect to begin delivering those airplanes in 2020 as planned.

Operator

Our next question is from Cai Von Rumohr with Cowen and Company. Please go ahead.

Cai Von Rumohr

Thank you so much and good performance. So Dennis, of your plan to get to sort of 15% margins in commercial, how much of that should we anticipate being from extension of accounting blocks and how much of that is just core line performance?

Dennis Muilenburg

Yeah. All of those are contributing factors, Cai. Certainly, we're working productivity internally and that's a day-to-day activity in every dimension of our cost profile, of our market based competitiveness work. Both direct and indirect costs, every element of overhead, those are elements that we're working hard. It applies to our supply chain. Recall that 60% to 70% of our cost base in the commercial airplane business is in our supply chain, so the work we're doing through our Partnering for Success initiative. Again, we're making some great progress there with our suppliers and partners. More work to go there and it's also true that favorable mix going forward and what we see in terms of block extensions as we continue to grow our production profile. That certainly contributes as well, those production block extensions are margin accretive. And also related as we stand up our services business, in general, we expect services growth to be accretive to margins. So all of those are contributors to that 15% target.

Operator

Our next question is from the line of Howard Rubel.

Dennis Muilenburg

Operator, we'll go to the next question.

Operator

One moment please. We're having some technical difficulties. From Jefferies, your line is open. Please go ahead. And Mr. Rubel, if your line is on mute possibly.

Dennis Muilenburg

I think we should try to go to the next question.

Operator

Thank you. Yeah. We'll go to the line of Pete Skibitski with Drexel Hamilton. Please go ahead.

Pete Skibitski

Yeah. I wanted to start on MAX execution. With the 6 you delivered in the second quarter, do you feel that you're on pace to meet that delivery, but you kind of said I think 10% to 15% of the total 737 deliveries for the year. And then kind of along with that, can you give us a sense of how the switch over transition is going on the three lines in Renton, just in terms of kind of switching over the other two lines, from the NG to the MAX and kind of what level of risk you think that entails?

Dennis Muilenburg

Let me take a first cut and Greg, feel free to add in here. But the MAX ramp-up is going well. As you noted, the 6 deliveries in the quarter, we're continuing to ramp up right on pace and the airplanes also performing well in the field. As we mentioned before, our production system transitioned overall on 737 to 47 a month was scheduled for this quarter and the production system is now running at 47 a month. So we've successfully ramped up while we've introduced the MAX and we are now in the process of moving from the separate third line to integrating into the NG line and actually have airplanes flowing through that integrated NG MAX line. So team is doing a great job of ramping up the production system and fully integrating the operations. We still expect deliveries to be in that 10% to 15% of the total 737 volume for the year.

Greg, have you got anything you want to add?

Greg Smith

Yeah. I mean the only thing I would add Pete is, as we've made these transitions in rate, again, think about risk reduction and so I think the team has done a great job of pre-planning that and investing in that third line, getting the program up and running and then transitioning into the main line and this is just another example of how do you de-risk that transition and continue to drive value and meet our customer commitments and the team is doing that. So we've got a big back half in front of us, but they know exactly what they need to do and they're off to a great start.

Pete Skibitski

That's great, Greg. Maybe one follow up, period costs, as more MAX enter service and more operators get the aircraft over the next couple of years, do you expect period cost to grow over the next couple of years on that or is that going to be kind of flattish?

Greg Smith

It will be around flattish.

Operator

Our next question is from Jason Gursky with Citi. Please go ahead.

Jason Gursky

I wonder if you could spend a few minutes talking about your updated thoughts on the middle of the market and you obviously spend some time over in Paris and probably had some customer conversations about that aircraft. So maybe just talk a little bit about how the business case is coming along on that one, a little bit about the production system and how you think you're going to get there from a cost perspective? And then you've talked about the free cash flow at work for the rest of this decade, but this is a program that's going to probably began ramping in 2020. So just kind of talk about the handoff from your current development programs into the middle of the market and the impacts that that might have on cash? Thanks.

Dennis Muilenburg

We're continuing to make progress on our efforts there as we talk to customers about the potential middle market airplane. We've talked with more than 50 customers around the globe with a diverse set of business models and business needs. We continue to see a potential market there for

2000 to 4000 aircraft. We're continuing to work our way through the details of what that airplane might look like potentially a family of two airplanes working through passenger sizing, range of the airplanes and having good meaningful discussions with our customers.

We're also working through the details of the supporting business case. We're certainly going to leverage all of the investments that we've made across things like 787 and 777X, the composite technology that we've invested in, but an important part of this is also taking a look at the fundamental manufacturing system and how we design and build for the future and taking advantage of some of our new digital tools and that allows to take significant cost out of development, production and improve down field support. And then all of this, we're looking at it through a lifecycle lens.

And as we ramp up our services business, this could also be a contributor to helping us ramp up in services. So that’s all work that's productively moving forward. We're still looking at a timeline that we've talked about before that if we were to introduce this airplane, it’s probably an entry into service in the 2024, 2025 timeframe. So we have time to do our homework and do it well, we’ll make a good disciplined business decision. From a R&D and CapEx standpoint, it feathers in very nicely with the work we have underway.

And by that 2020 timeframe, we’ll be down the backside of the 777X R&D profile and CapEx profile, we’ll begin delivering 777Xs in that time frame and so if we were to launch a middle of the market development program, it would rather end very nicely on the back side of 777X. But we really don't see a significant change to our profile in terms of CapEx and R&D spending. We think we'll see a nice steady profile throughout that time period. So we're going to continue to do our work here and make a good business discipline decision and one that adds value for customers.

Operator

Our next question is from David Strauss with UBS. Please go ahead.

David Strauss

Wanted to ask about cash progress through the rest of the year. Year-to-date, it looks like advances Greg have been a pretty big tailwind. Your guidance for the full year, how are you thinking about advances? And then your commitment to free cash flow growth from here, how are you thinking about advances playing into that and then also 777X and the inventory build there. Thanks.

Greg Smith

Yeah. There was some favorable timing in the quarter on advances, but there will not be favorable timing in the year. So the guide increase is on performance as well as the tax benefit associated with the pensions. So again, as I outlined, about 700 million for the pension, about 800. So this is, you got to equate this to core performance. This is focused on working capital and all elements of working capital, right down to the program and functional level, looking at payables, receivables, probably most of the focus getting into inventory, right down to the line and making a very efficient business decisions there. So you got to equate this to performance.

As you look at the cash flow going forward, I think Dennis addressed it earlier, we still expect it to grow for all the reasons he outlined that I won't repeat them, but on top of that, again, we've got more focus on the elements within cash down to the team level and they're off to a great start. So I think there's more opportunity there for us to capture. In 777X inventory build and so on, is all in those comments about us expecting cash flow to grow. We've taken that all in to consideration.

So it's about execution. It’s about being more efficient as Dennis outlined and it's about executing on our production rate increases as we have and at the same time, looking for opportunities to reduce risk, like we talked about earlier with Pete on MAX or another example on the pension. We're taking that risk off the table and we're pre-funding that to give ourselves again a clear line of sight that really focuses more so on just day to day efficiency and operating performance.

David Strauss

And Greg, in terms of the working capital opportunity, receivable, payables, inventories, how far along do you think you are in terms of capturing the opportunity you see there?

Greg Smith

I think there's still a lot of opportunity there. And again we're benchmarking ourselves, not just within the industry. We're benchmarking ourselves to the top quartile as Dennis has outlined. So we're benchmarking with people that you wouldn't traditionally benchmark with outside the industry that are really good at this, taking those best practices and bringing them in and there are some areas who are more mature than others and by the way, there's areas within Boeing that we are at best in class level, so how do we take those best practices and bring them across on the other program. So bottom line is, I think, there's more opportunity there for us to capture.

Operator

And next we'll go to Myles Walton with Deutsche Bank. Please go ahead.

Myles Walton

I was hoping to follow up on the margins at BCA. Obviously, the core underlying margins, I'm not sure you are kind of pre R&D, the mature margins look like they've been the best and it was a decade and kind of leads me to the next question, which is you raise the guidance to greater than 10% for the year. I think the prior guidance contemplated either retaining your 14 a month target for the 787 or kicking that decision out. Are you implying that you're in a more comfortable position to retain the 14 a month 787 production by the end of the decade with this guidance raise?

Dennis Muilenburg

Yeah. The assumptions on the guidance raise around 787 are unchanged. So they're within the guidance there and obviously we haven't, we have assumed that we are going to 14 a month and we've got a market to support that, but we've still got some work to do and so we'll continue to finish that work, but all of that is taken into consideration in margin guidance.

Greg Smith

Those alternatives are bounded by the guidance.

Myles Walton

And was there any, just kind of clarification, were there any block adjustments unusual in the quarter. Could you say what they are?

Dennis Muilenburg

Just one, 737, nothing unusual, but 737 all MAX.

Operator

Our next question is from Rajeev Lalwani with Morgan Stanley. Please go ahead.

Rajeev Lalwani

I wanted to come back, Dennis, to middle of the market aircraft and maybe approach it in a bit of a different way. You've been talking more about the prospects of it obviously. Would it be fair to assume that such a program could service leverage to increase aftermarket opportunities on existing programs as opposed to just this new one, and then if you've had any successful conversations to that effect?

Dennis Muilenburg

Yeah. Rajeev, as I said, as we contemplate middle of the market airplane, we are taking a look at that through a lifecycle value lens services lens. It can be a way for us to amplify some of the investments we're making to grow services. As we look at our parts business downstream and how we structure that for the future and making sure we have the right kind of intellectual property arrangements to do that that, that gives us some opportunity to expand that thought process to other product lines. The investments we're making in digital aviation information based services, the architecture of the airplane to maximize that value.

There's a learning associated there that again allows us to cross-pollinate to our other production lines. We're also thinking through our vertical strategy as we build out vertical capabilities for the future, how we might use a middle of the market airplane to amplify that effort, things like our composite wing investment that you're well aware of, propulsion integration is another area where we've been investing, we're standing up in actuation capability that's going to provide support to 777 and 737, we could further amplify that. So this is a way for us to also build our vertical strategy with an idea that vertical depths can also add lifecycle value. So those are all lenses that we're working on and we are certainly evaluating middle of the market airplane as a mechanism for helping us grow services and as we think through that lifecycle lens, that's a business process approach that again can provide value more broadly to our services business across commercial and defense.

Rajeev Lalwani

And just a brief follow-up, just as you look more on the services side and you've obviously even talking about a lot more, Dennis. What have you been hearing from some of your suppliers and customers as far as just the feedback which you're looking to do.

Dennis Muilenburg

The key is as we move to this dedicated integrated services business, we're absolutely focused on our customers and we believe there's great opportunity here to add value for our customers and provide better solutions for then. So that's where this all starts. As we've had discussions with our customers those have been very encouraging because we are focused on adding value for them. And we're convinced that with our depth of OEM knowledge, some of the investments we're making and our partnerships with our suppliers that there are ways to do that together. And certainly throughout our supply chain there's interest in what we're doing in the services area. As we contemplate this growth markets I said about $2.5 trillion market over the next ten years. We see that as a growing market and one we're working with our supply chain, we can grow together and provide better value for our customers. That is our focus on this effort.

Operator

The next question is from our with Howard Rubel with Jefferies. Please go ahead.

Howard Rubel

The shift from performance because it's pretty impressive to talk about maybe orders and sort of the outlook for a moment, sort of two parts to it. One is that it looks like book to bill this year based on what you've done in Paris and to date is clearly going to be better than one. But could you also talk a little bit about what's going on in the leasing market because those are kind of what I call shadow orders where we're seeing aircraft being placed that had already been ordered by the leasing company so that you're expanding your footprint and what does that mean and give you confidence in terms of your forward look to volumes?

Dennis Muilenburg

Well, first of all on overall book to bill, Howard, we’re still expecting a book to bill of about 1 for the year. You're right we had a very strong Paris Air Show and we're very pleased with the outcome there. And I think in general, there was some upside there compared to what we had expected going into the Air Show. So we’re encouraged by the momentum there, but if we look at overall market both narrow bodies and wide bodies, we still expect orders volume to be similar to last year, a book to bill of about one. As you know there's a lot of timing associated with orders volume. That said with a backlog of over 5,700 aircraft, we don't have a great sense of urgency to have to build overall backlog, we’re in a solid position. We are very focused on filling out the 777 Bridge as a key part of our orders effort. You can see we've made some great progress on that. And I want to reiterate again that we're now in an oversold position in 2018, so that new good news for the 777 Bridge although we still have more work to go there.

Now to your point on the leasing companies, we do see a lot of energy there. Again both narrow bodies and wide bodies. And as we have customers around the world that are thinking through different business models, the leasing channels are certainly providing some good support to the overall market growth and you can see that satisfying needs in both passenger and cargo growth. I think just as another really good sign post is during the quarter, AerCap's order for 30 787-9s. While we continue to be mindful of some hesitancy in the wide body marketplace having a premier customer like AerCap's and their releasing horsepower making a big order in the wide body marketplace. I think is another good signal for us. So we're going to continue to be mindful about the risks and be very focused on filling out the 777 Bridge. But I'm feeling good about the progress we're making and I think the energy we see in the leasing market it supports the overall market strength.

Operator

The next question is from Andrew Gollan with Berenberg. Please go ahead.

Andrew Gollan

So I have a broader question on capital structure. So in light of the decision today that we learned about accelerating the pension funding. In recent years, Boeing has a neutral balance sheet position in terms of gross cash and consolidated debt broadly. So with this injection in pension funding we moved to a net debt position of about 4 billion. I just would like you insights into how you think about capital structure, is this the reflection of just confidence or how you think about the right capital structure for the group relative to history?

Greg Smith

Yes, I think it certainly reflects confidence we have in our business in the market and our ability to execute in that market and it goes to the foundation that Dennis talked about as far as the backlog. But I think as far as general capital structure what you see today is what you should expect to see going forward and we're very focused on again on risk mitigation and topline and bottom line performance. And so as we make these decisions like pension and that really ties to our performance. If we weren't performing at the levels we were at, we wouldn’t have the opportunity do something like this and this is a really great opportunity to look after that kind of profile up to 2021 and kind of pull that back, take that risk off the table. And at the same time very committed to meeting our obligations to all of our employees. So returning cash to shareholders, balance deployment, investing in our company in innovation that's what's gotten us here, over the last hundred years that's what's going to get us and allow us lead in the second century as Dennis has articulated and that's going to continue to be our focus.

Operator

And next we’ll go to Seth Seifman with JP Morgan. Please go ahead.

Seth Seifman

I wanted to ask about the 787 and very good progress on the deferred balance this quarter, the $530 million dollar reduction. Was there anything kind of unique about this quarter or is that sort of the new floor for deferred reduction going forward. And then when we think about the second half of the year and how much better things could get. I was under the impression that there were some price step downs coming in the second half and that we would see further acceleration from that level?

Greg Smith

Seth, I said there's nothing unique, it is just again as we've articulated the kind of big moving pieces on improving deferred. Certainly first and foremost executing to making the deliveries and making rate. Team has done a great job in doing that. Coming down the learning curve in the factories as well as step down in the supply chain and then of course the more favorable mix as we bring more -9s and 10s in. But frankly I guess the only thing that would be a little bit unique here is that we've got -10s and 12, and they’re in early production and that would be more of a headwind. So I think what you see here again beyond that is pretty straightforward. So obviously we expect that to improve going forward as we continue to focus on each of those elements. Again, my credit to the teams in Charleston and Seattle because they've done a great job. Staying day to day focused on every unit being more efficient than the prior one, they in some cases are setting new standards for the company. So back to my kind of best practices. We have teams coming in now that are looking at some of these initiatives they have on A7 and we're bringing them across to places like rotorcraft and the fighter line. So that just gives you a sense of how day to day focus is really making a difference in the progress that's been made in 77 program.

Seth Seifman

And to your point, Greg, on 787-10, its showing the value of real manufacturing commonality as well with those first jet planes flowing through the line.

Operator

And next we‘ll go to Ron Epstein with Bank of America Merrill Lynch. Please go ahead.

Ron Epstein

Dennis, how do you think about the health of your supply chain, particularly as start to go up - continue - not to start but continue to go up in rate on the narrow bodies. Are there any pressure points that you worry about and how do you think about managing those because obviously you guys are doing very well with your inside performance, but how do you make sure everybody kind of feeding that is up to snuff as well, particular as rates go higher.

Dennis Muilenburg

You bet. Ron, we spend an intense amount of time with our supply chain just as rigorously taking a look at their productivity curves and investments and ramp up as we do to our internal operations. In fact that's all done hand in hand because we know that we're only going to be successful when our supply chain is successful. And as we're ramping up narrow bodies with the 737 line now up to 47 a month in the production system having just taken that step from 42 to 47, our supply chain has come with us. As you know we've been paying very close attention to the ramp up on the MAX and LEAP engine, and our partners at GE have been doing a great job of ramping up in parallel with us. We’re keeping a very close eye on any other pressure points that we might see in the supply chain. So I don't want to make this sound like it's easy, but it's something that is on track and something that we're paying attention to every day.

And we're confident that we have the ability to ramp up to 57 a month. The market certainly supports that kind of the ramp up and by doing it in a disciplined fashion, bringing our supply chain with us, we're confident we’ll be able to execute. This move that we just made from 42 to 47 a month didn’t get a lot of fanfare. But her team executed it really very cleanly and that's really a credit to our team that they know how to do these great ramp ups and do them incrementally to take out risk and bring our supply chain along. Next year, we’ll ramp up to 52 a month and then 2019 will ramp up to 57 a month. So the nice disciplined progression and its part of our partnering for success effort we’re bringing our supply chain along. And we'll continue to keep a close eye on that. if we see any risk points or single source risk points we’ll make sure that we're building a risk mitigation behind those. But right now we're healthy and marching forward.

Ron Epstein

And if I may as a follow up to that question, when you think about standing the service organization, how are your balancing obviously your needs and wants in the aftermarket with your suppliers, right, because from the supplier perspective, for a lot of them that's their lifeblood. So how do you balance that?

Dennis Muilenburg

As I said earlier, Ron, our objective is to grow together in a growing market, right. This is a market that has a lot of headroom for all of us to serve our customers in a more value added way. Now certainly from a Boeing perspective, at the market as it stands today we're about a 7% to 9% market share in today's market. So that gives us headroom to grow in a market where clearly we have a significant platform presence that's well beyond 7% to 9% of the market. Going forward we expect that market to expand and so while there are some places where we will logically have some competition between ourselves and our supply chain in terms of competing for certain service market segments, in large part this is about growing the market together and adding more value to our customers. I think we're just beginning to scratch the surface on these digital aviation solutions, a value add for our customers that's going to grow the market and something that we can do together with our supply chain.

So that is our preferred business model. Now where we need to we'll build out vertical capabilities because we're determined to make sure we're adding value for our customers and we've made some of those investments already. We're currently looking through about 40 different categories of support and parts areas where we may invest for the future. In some cases those will be vertical capabilities and some cases new partnerships with our suppliers and in some cases when we need to build an additional supply chain component we'll make those kind of investments. I think a good example there is the 777X landing gear as an example. So that whole portfolio of options is in front of us. Now the key here is that majority of the work should be growing the services business together, doing it in partnership with our suppliers and in a way that ultimately adds value for the customers. That's how we win in this market.

Operator

And next we'll go to Sam Pearlstein with Wells Fargo. Please go ahead.

Sam Pearlstein

I'm wondering if you could follow up a little bit more on the global services. You did give a 20-year outlook earlier in the week. Can you talk about the 7% to 9% share. Looking at the growth rates of the different end markets that you're targeting. I just wonder when can you get to that aspirational $50 billion target, is that five years, ten years, 20 years, just in terms of thinking about it. And some other related is, as you stand up the global services and pull out what I presume is a relatively high margin business out of the segment, how does that affect your PCA aspirational goal of 15% margin just because it's not going to be a different business.

Dennis Muilenburg

Let me take on that first part and then I'll ask Greg to chip in on the second question there. If we take a look at that 50 billion target, revenue target annual sales, we set an aspirational goal for our team that is an aggressive target. We are targeting to hit that level over the next five to ten years, so we provided some span of time to do that. Our preference is to do it more quickly, but we're making the right discipline investment, so we grow in a value added way both for customers and for our company and partners. We do see the majority of that growth being organic investment. We do expect some complimentary inorganic investments either acquisitions or in some cases new partnerships, but working through a whole range of options right now that will fuel that growth. So this is a place where we will invest to grow, but we do see it primarily as organic growth. And I think already we've seen a number of successes here just coming out of the gates better. Encouraging signs on the value we can add for our customers. We stood up Boeing Analytics as you heard that's adding information based services value for our customers.

Just recently we signed contracts with Delta, China Airlines, and Korean Air for airplane health management predictive alerts. We've got a new agreement with AirBridgeCargo for the fuel dashboard, we've got a ten-year service contract with Turkish to optimize navigation capabilities. We've got the agreement with Norwegian that I mentioned in my comments on flight training capabilities. So we're seeing steady progress, great opportunities for us to leverage our OEM depth, leverage our fundamental parts and services business, upgrades and mods, and then really begin to drive accelerated growth in information based services and data analytics. So all of those will contribute to that $50 billion target. We’re going to move forward in a disciplined way, but in an aggressive way. And Greg you want to comment on the…

Greg Smith

I would say from the aspirational goal perspective, it hasn’t changed. So yes, they'll be some movements in the portfolio to the three business units that of course will report out in third quarter and give you further insight into that movement. But that's going to be, the services business is going to be about $14 billion business at about 15%. But the aspirational goal for BDS and BCA is unchanged. Now obviously we're looking at the BGS side of it and looking at the marketplace there and the risk and reward and you can imagine we're raising the bar there internally as well. So it's not just the $50 billion but it's also from a margin perspective is the risk and reward in balance and what we're offering to the customers as far as value goes. So broader aspiration, again, I wouldn't think of it any different with the change in setting up three business units versus two.

Operator

Our next question is from..

Troy Lahr

We got time for only one more question.

Operator

Okay great, that will be from Peter Arment with Baird. Please go ahead.

Peter Arment

Dennis or Greg, when we were Paris we talked a little bit about the kind of the productivity initiatives kind of the champion time concepts and I think we're talking about the 787 for example about in terms of the productivity and what you're squeezing out there. Is this an issue that you're going to be able to still roll out broader across BCA or is that a little more unique just because it was a newer program at 787? Just kind of getting at the productivity gains that you guys are making.

Dennis Muilenburg

Peter, absolutely we're going to roll it out, but it's even broader than commercial airplanes. And this idea of champion times not only at the unit cost level but at the complement level. We have teams that are working mid-body and half-body on 787. They're setting new champion times and what we're seeing is this culture of champion time performance. The farther you drill down, the more powerful it is. And we get teams at the workgroup level that are adopting this philosophy. We're now taking that and we're transporting it to other commercial airplane programs. And Kevin McAllister is doing a great job of spreading that across his enterprise. But in collaboration with Leanne over in the defense and space business, the same thing we've taken that same philosophy to our fighter lines, the satellite lines, the rotorcraft lines. So this is part of our One Boeing strategy and this champion time approach to driving productivity we think is a real enabler for the future and our teams are where the great ideas, our people are the holders of our innovation and this champion time work is really unleashing that innovation.

Operator

Ladies and gentlemen that completes the analyst question and answer session. [Operator Instructions] I'll now return you to the Boeing Company for introductory remarks by Mr. Tom Downey, Senior Vice President Of Corporate Communications. Mr. Downey, please go ahead.

Tom Downey

Thank you, we will continue with questions for Dennis and Greg now. If you have any questions following this part of the session, please call our media relations team at 312-544-2002. Operator we are ready for the first question and we ask in the interest of time that you limit everyone to just one question please.

Operator

And we'll go to Doug Cameron with Wall Street Journal. Please go ahead.

Doug Cameron

Can I go back to the supply chain stroke services, sort of mantra is that we've got a close eye on this and PFS 2.0 is a win-win et cetera et cetera. But yesterday somebody like kind of trumpeted their latest Partnering for Success deal basically today. Is it a profit warning and is basically scare of bankruptcy? Another of your big partners or pick suppliers basically said, if services expands like you talk about that they might have to change their pricing model. So, is there a disconnect between what you say and some of your suppliers say or have you really got all of this sorted not just now but in the medium term?

Dennis Muilenburg

Doug, when we take a look at this again the key is when we talk about growing services we always go back and start with the customer. And this is about adding value for our customers and we can do that in partnership with our suppliers as we always have done in the past. Now certainly as you pointed out there's some sense of nervousness or uncertainty as we ramp up. We understand how that might be the case within some of our supply chain, but our actions are following through, it’s in developing partnerships with our supply chain and adding value for our customers. Now there are going to be some places where we're going to have to make some hard decisions, we're going to have to develop alternatives, we're going to have to build additional supply chain capacity, yes, there will be some hard things that will have to do, but all with a ultimate focus on adding value for our customers. And I do believe overall the services market is a high growth market and the large majority of our work can be work that we grow together with our supply chain and where we do have some hard spots we’ll deal with those. That's what our Partnering For Success initiative is designed to do, it's allowed us to get tough business issues on the table, drive those to resolution so that ultimately we can grow together and ultimately will provide better value for our customers.

Operator

The next question is from Julie Johnsson with Bloomberg. Please go ahead.

Julie Johnsson

Dennis, you mentioned inorganic growth for BGS a couple of minutes ago. And BDS has been overshadowed over the last few years by the grow with the commercial division. Would you mind just updating your thinking, your approach to mergers and acquisitions. I mean Boeing has been focused on bolt-on deals for long time, maybe going back to the McDonnell Douglas merger. And I'm wondering now with your stock trading up near 230 per share. That's a really rich currency and are you open to considering larger strategic acquisitions?

Dennis Muilenburg

Julie, our strategy and our position has not changed. When we look at uses of cash we consistently see our priorities as being first most important news is organic investment. And we are making good use of that today . We are bringing more innovation to the marketplace today than we ever have and that spans our entire business not to leave out or our defense business, it certainly includes things like the 787, the 737 MAX, 377X, but it also includes investments that we're making in programs like TX, our satellites business, the autonomous systems that we're developing. So we are making organic investments across the board that's still our number one use of cash and that's what the purpose about innovating our competition.

Secondly, we're going to continue to return cash to our shareholders. And approximately 100% of free cash flow being returned through repurchases and dividends continues to be our second priority. Third is inorganic investments and we don't see a need to change that strategy. We're going to continue to look for bolt-on opportunities things that complement our organic investment, but our best most efficient use of capital is our organic investment machine. That is a well tested, well honed machine one that's producing real growth and we complement it with our M&A actions. And we're going to be focused on growing our services business and targeted verticals and those are areas where we have made investments in the past and will continue to make inorganic investments and we see those as been complimentary as we build out vertical capabilities with lifecycle value. So that's our strategy going forward.

Operator

Our next question if from Alwyn Scott with Reuters . Please go ahead.

Alwyn Scott

So Boeing has done a lot to restructure, downsize its workforce, reduce production costs. Does Boeing's size and structure now properly match the revenue and demand that you see or if not how do you think about what more needs to be done? And I'm not thinking about incremental, I'm thinking more about sort of large structural moves.

Dennis Muilenburg

You bet. In terms of our business structure, obviously the big move we just made to stand up are integrated services business was a major structural move and we're very pleased with the three business unit structure that we now have. We think that's the right framework for future growth. Now within that we need to be driving competitiveness every day and we're going to continue to be relentless on that front. And just a reminder, our cost structure is much more than headcount. We're looking at all dimensions of our cost structure, this includes our supply chain and includes every category of overhead, includes efficiency both inside and outside. And we're going to be relentless on driving our cost structure down and gaining efficiencies so we can fuel the future. They said before our number one use of cash and what we create as we drive competitiveness is to invest in future innovation. And that's really important investment not only in products and services, it's also in our manufacturing and design systems, it's in our support and services systems. And it's in our people and we're focused on making all of those investments for the future. This is not work that we're ever going to be finished with. This is a relentless effort to drive competitiveness to fuel our future innovation.

Operator

Next we'll go to Jon Ostrower with CNN. Please go ahead.

Jon Ostrower

Couple of questions. First is on CapEx and how it relates to M&A. You kind of think about the spending you want to put forth as far as your business plan goes. How much are you weighing the existing infrastructure that you have in factory space and current investments as it relates to what you can use for M&A whether it's Composite Wing Center, existing infrastructure in Everett like 787 line and also availability in Charleston and St. Louis. How do you look at that and kind of continuing the M&A thought. You put out a forecast this week that calls for 637 new – 637,000 new pilots over the next 20 years. How much of M&A sizing and the need for an aircraft like that. It relates not only to the congestion at airports, but also a long-term expectation about the availability of pilots and the need to fly larger aircraft if they're not available. Is the pilot shortage a real threat here and is the M&A strategy partially in response to that?

Dennis Muilenburg

I'll take the second one, but Greg why don't you start with the one question.

Greg Smith

Look Jon, I think just like any good business discipline and decision you look at capability, you look at capacity and then you look at affordability. And all that will be taken into consideration when we look at the M&A with obviously a clear eye towards winning in the marketplace and how do you do that in the most efficient effective way possible. So basically everything would be considered just like again any good business decision you're going to look at all your alternatives, taking in all those three elements into account. And then make a good business decision at the end of it. So that's what will be embedded into the M&A business case as we think about how we mature that going forward.

Dennis Muilenburg

Exactly. And then Jon, on your question about the pilots and demand for the future. We are taking a very hard look at this growing marketplace. This is sort of in the good problem to have category. But as the world needs 41,000 new airplanes over the next 20 years as we see traffic growing at 6% to 7%, 8% so far this year, clearly fleet growth is right in front of us, we're projecting that the global aircraft fleet after you account for replacements will roughly double in size over the next 20 years. That's going to drive pilot demand. And so we're working very closely with our customers on how do we help create that pipeline by the way that affects both our commercial business and our defense business where there is a need for future pilots. Some of it is in how we design our future airplanes, how we improve training efficiency, how we allow for rapid ramp up in talent. Part of our services business is going to be related to improved pilot training and efficiency for our customers. I wouldn't say that the launch of the middle of the market airplane as we consider our options there is really driven by the potential for pilot shortage, it's really more driven by just the overall market demand. We see traffic growing. We see route structures evolving. There are new point to point regional structures that may require a new airplane. If that's really the basis for the 2000 to 4000 potential market that we see. Now we'll have to be mindful of pilot shortages as a potential risk area. But we don't see that as the driver for going to a middle of the market airplane, middle of the market is really more driven by market growth and customer needs.

Operator

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

Dominic Gates

Staying on me the M&A and the next new airplane. You did despite Greg's answer just now, you did during the previous talk about increasing vertical depth, the potential for doing more propulsion work, more wing work. I'm just wondering how significant a shift you see there. Of course historically every new plan that Boeing has come up with has had more buy in it than make in it. The proportion - the make buy proportion has shifted towards buying and like 15 years ago Boeing was talking about getting out of the parts business, but here you're now talking about increasing vertical depth. How significant a shift might we see in that next new airplane in terms of the make-buy proportion. And also how do you see employment within Boeing being affected by that because we're seeing a lot of jobs lost here in Washington State. How do you see that near term as well.

Dennis Muilenburg

Dominic, to your first question we do see increasing focus on vertical content and lifecycle value going forward. I think you've seen some of that evolution reflected in the 777 X compared to the 787 where we brought more of the engineering back in-house. We think that's a more efficient way to design and engineer for the future. Composite wing manufacturing, complex composite manufacturing is a core capability that we've brought back in-house and invested propulsion integration as you noted. We see selective areas in actuation systems as a place where we want to invest for the future. We noted the ramp up that we just announced in both Portland and Sheffield associated to 737 and 777 actuation. There are several other categories of capability that we're looking at. And where we can build vertical capability that adds value, takes risk out and adds lifecycle value as we look through the services lines. Those areas we're going to invest. So I think you will see an evolution that's more towards additional vertical content with a clear focus on lifecycle value addition as an evaluation criteria around that. And if we decide to proceed with middle of the market airplane that philosophy, that strategy will be reflected in the airplane.

Now in terms of your question around employment, as you know we've had to continue to make some tough decisions as we're driving competitiveness. We're continuing to do that in a way that is very respectful of our employees and our people and where we can voluntary layoffs and other actions that are frankly good for our people and good for our company. And this is a continuous process. So I'm not going to try to give you any long-term trend or numbers prediction. Just knowing that we're going to continue to drive competitiveness because we're going to invest in innovation for the future. And ultimately that investment is good for our company, it's good for our people, it's good for growth of our business and it's going to provide value for customers. And that's our headset as we make these decisions, we're going to do the right thing to grow the company and ultimately that'll be good for people as well.

Operator

Next we'll go to Peggy Hollinger with Financial Times. Please go ahead.

Peggy Hollinger

Just a couple of slightly different questions, not about the performance. We've noticed the controversy over the head of the Ex-Im Bank. And I just wondered whether you think perhaps given that controversy, it would be a good idea to have another nominee or do you think you can work with this nominee. And just a little bit of a statement on where we are with regard to the Ex-Im Bank. And if you could update us a bit on Iran please.

Dennis Muilenburg

Yes, on both of those, first, on Ex-Im Bank, again we continue to believe it is fundamentally important that we get Ex-Im Bank up and running and fully reauthorized. There are about $30 billion of deal opportunities in the pipeline that when the bank is fully up and running again can be executed and will create American manufacturing jobs. And those aren't just Boeing deals, those are spread across all of the industry. So fundamentally as a country we need to get the Ex-Im Bank back up and fully running. Now part of that process, the nomination process to fill the Board seats is crucial. We do think it's important that we have a Chairman of the Ex-Im Bank who supports the banks mission. And as various candidates are being evaluated that's an important lens to be looking through. And we know there are a number of nominations inflow right now, we're encouraged that there is action being taken. We are also urging Congress and the administration to move forward with finalizing those nominations, filling the board positions and getting the bank back up and running at full speed. That will be good for the economy and good for American manufacturing jobs. On your on your second question around Iran, we are continuing to make steady progress on that front. Again, all of this is being governed by US government policy and we're staying completely within that licensing process, stepping our way through the gates. That is moving forward on track and we still expect to begin delivering airplanes next year.

Troy Lahr

Operator, we have time for one last question.

Operator

And that will be from Gillian Rich with IBD. Please go ahead.

Gillian Rich

My question is kind of a follow up to an earlier one on what specific changes in the airline industry would you say are driving these requirements for this new kind of mid market plane, like a new design, what specific things that your customers kind of been telling you about?

Dennis Muilenburg

When we take a look at the market for this airplane again, we see route structures around the world continuing to evolve as general passenger traffic growth is occurring. In particular, new regional structures, point to point connectivity that's in this 4,000 to 5,000 nautical mile range airplanes that are in 220 to 270 passenger range. That's the ballpark that we're looking at and discussing with customers. So this is really reflects the fact that the overall market is growing and these new regional point to point structures are evolving and those new regional structures aren't served well by existing airplanes in general. And so there is an opportunity here to add value for our customers. That's the real focus here and in order to have a airplane that could serve that marketplace, it needs to have some of the efficiencies in terms of turn times that you get with a wide body and it also needs to have the economic efficiencies that you get with a narrow body airplane. So hence sort of a hybrid approach to what that design might be. Those are the details that we're working through with our customers right now.