

# United Airlines Secures Compensation from Boeing for 737 Grounding and Certification Delays

Posted on April 22, 2024 by Business Editor



United Airlines has reached a compensation agreement with Boeing over financial losses stemming from the grounding of its Boeing 737-9 fleet and delays in certifying the Boeing 737-10, according to a recent SEC filing by the airline. The specifics of the compensation, described only as “confidential,” involve credit memos from Boeing that United will use for future aircraft purchases.

The grounding issue, which led to a significant operational disruption, was triggered by a mid-air incident involving a cabin panel blowout on an Alaska Airlines flight in early January. This event directly impacted United’s financial performance, contributing to a reported net loss of \$124 million for the first quarter of 2024. Without these disruptions, United indicated it would have posted a quarterly profit, as the grounding alone had a negative financial impact of approximately \$200 million.

Under the terms of the agreement, United will apply the credit memos towards reducing the cost basis of its existing MAX 9 fleet and future deliveries of both MAX 9 and MAX 10 models. This accounting adjustment is expected to lower future depreciation expenses for these aircraft.

The certification delays for the Boeing 737-10 have also led United to adjust its order book. The airline has converted 110 of its Boeing 737-10 orders to Boeing 737-9s, retaining the flexibility to make further conversions if necessary. United’s current aircraft commitments include 150 Boeing 787s, 36 Boeing 737-8s, 144 Boeing 737-9s, and 167 Boeing 737-10s, showing a decrease in 737-10 orders from 277 earlier in the year. Additionally, United has firm orders for 123 Airbus A321-200NXs, 50 Airbus A321-200NY(XLR)s, and 45 Airbus A350-900s.

This compensation arrangement highlights the ongoing financial implications of aircraft grounding and delays for major airlines and the measures being taken to mitigate these challenges. Other U.S. carriers, such as Alaska Air Group, have also received compensation, with Alaska receiving about \$160 million in cash for similar issues.

