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TOO BIG, MAC?

THE DANGER FOR THE Europeans and the rest of the world's industry in Boeing's absorption of McDonnell Douglas (MDC) lies in believing that Boeing has trumped them for good. Yes, Boeing has — at a stroke — made itself the most powerful aircraft manufacturer in the world. That is not to say, however, that it has established itself as the most powerful aircraft manufacturer in the world for all time, or that it has acquired some cloak of infallibility. Those who would doubt that need look no further than the fate of the company which Boeing is swallowing in order to become Number One.

From dominating the early post-Second World War civil market (largely as a result of having dominated US military-transport production during that conflict), Douglas lost its way. It was late with its DC-8, losing the race (and the market) for early jetliners to Boeing and its 707, and lost its heavy-lifter business to Lockheed. Despite the success of the DC-9 series (up to and including the MD-90), Douglas never again dominated a market. McDonnell had come from nowhere to prominence (principally with the F-4 Phantom), and the success of the F-15 and F/A-18 helped it to absorb the once-proud Douglas.

What left McDonnell Douglas vulnerable was the crucial lack of investment in competitive new airliners after the DC-10. What finally brought it to Boeing's heel, however, was the failure of the McDonnell side of the business to win with the US military: no F-22, no Joint Strike Fighter, no long-term military MDC. Not that this made the company a candidate for the knacker's yard: it had a healthy backlog on the F-18 and T-45, and reasonable orderbooks for the MD-90 and even the MD-11, enjoying a late flowering as a freighter. There was nothing visible beyond that, however — even had MDC sought the funding that could bring it back into contention in either of its main markets.

Therein lies the lesson for Boeing — and hope for its smaller competitors. Boeing is moving from being predominantly a civil success in recent years to a company which has leading, investment-hungry programmes in civil and military markets. It has projects ranging from the stretched 747 and re-usable space launchers to the JSF competition competing for its development funds and its management expertise. There is little doubt that Boeing has the confidence to tackle such issues, and it has a remarkable track record over the past three decades. While it is looking to preserve or build its strength across several markets, however, a focused single-market enterprise like Airbus should be able to take a competitive advantage. To do that, however, it will have to move much more rapidly than it has to become a single enterprise. It has already disappointed Europe's financiers by failing to unveil its long-promised restructuring plan on time. While it fiddles (or, more precisely, while the partners in Airbus fiddle), opportunities to catch up on Boeing with its 747X competitor, the A3XX, or to consummate the European advantage in China by adopting the AE-100 project, are slipping by.

"While Boeing is building its strength across several markets, a single-market enterprise like Airbus should be able to take a competitive advantage."

It has a perfect opportunity now to concentrate on a single competitor in the market — and to use that threat to concentrate the minds of those partners which are still reluctant to hand over manufacturing resources and assets to the single Airbus company.

The world's non-US defence manufacturers might not find it quite so easy to identify the opportunities which the Boeing/MDC combination throws up for them. For the last couple of years, the colossus of Lockheed Martin has loomed above all others, but the larger European defence manufacturers were in the same ballpark as their smaller surviving US competitors. Now there are two mega-groups in the USA, which fact will almost certainly drive other US defence manufacturers to merge to survive.

That will leave the Europeans, especially, with their propensity for forming multiple joint ventures with each other instead of merging or taking each other over, less and less able to compete. Unless they wish to decline into junior partnerships with, or suppliers with subcontracting status to, the big US manufacturers, they (and their respective governments) will have to come to accept radical change. ❑