

Big United order shows Airbus opportunity as Boeing reels

4 December 2019, by Luc Olinga



United Airlines has opted for a new Airbus plane for mid-range distances in a setback to Boeing

United Airlines' order for 50 new mid-range aircraft from Airbus not only hands the European giant a huge win, it exposes a gap in Boeing's portfolio exacerbated by the 737 MAX crisis.

"This is a big setback for Boeing," said Michel Merluzeau, aviation expert at Air Insight Research. "It will mean a loss of revenues to its biggest rival."

United's decision go with Airbus for the A321XLR single-aisle plane marks a shift for the US carrier, which had ordered single-aisle planes only from Boeing since its 2010 merger with Continental, according to Leeham's Scott Hamilton.

United said the A321XLR, which extends the flying range for a single-aisle plane, will replace older Boeing 757-200 planes that are being retired.

The US airline turned to Airbus because "there are no aircraft currently offered by Boeing that can replace the 757," said a person familiar with the company's thinking.

United "wanted narrow-body aircraft with long range to go from the East Coast (of the US) to Europe, and Boeing just doesn't have that right now."

The omission in Boeing's slate partly reflects a ripple effect of the company's intense focus on the MAX, which has been grounded since March following two crashes that killed 346 people.

Interest in new plane

As a result of the MAX's problems, Boeing was forced to push back until 2020 a decision to launch a new model aircraft, or NMA, it has been discussing to service mid-range distances.

Airbus has benefited since launching its new plane, which gives carriers the chance to provide longer flights to mid-sized cities using a single-aisle plane that is cheaper to operate.

The A321XLR has capacity to fly up to 4,700 nautical miles in nine hours, a longer distance than Boeing's MAX, of which United owns 14 that have been affected by the grounding.

United has been eyeing flights from US airports in the New York and Washington areas towards secondary cities in Germany, France, Spain and Portugal.

Irrespective of the Airbus order, Boeing described its business with United as healthy.

"We are proud of our decades-long partnership with United Airlines and our team is focused on delivering on outstanding orders for nearly 200 new airplanes for United in the coming years," Boeing said.

But Richard Aboulafia of the Teal Group said the middle market of aviation "is the only really healthy segment of the jetliner market" and that Boeing is in

a "very difficult" position at the moment.

"There are doubts about Boeing's ability to develop a new product in this class quickly, given the MAX crisis," Aboulafia said.

More defections?

Delta Air Lines, which currently owns about 200 Boeing 757 and 767 planes, plans to invest billions of dollars in the next five years to modernize its fleet. The company has expressed interest in a Boeing option.

"Boeing has not even made a decision on whether they will launch the aircraft," Delta Chief Executive Ed Bastian said earlier this year. "We hope they will. We are very interested in it."

Merluzeau said the loss of a Delta order would be a setback, as would a defection by fellow US carrier Southwest Airlines, which is the biggest user of the MAX and has historically bought all its planes from Boeing.

"The NMA is an essential [plane](#) for Boeing's strategy," Merluzeau said. "Were it not for the MAX crisis, there would be much more certainty about the NMA."

The MAX crisis has weighed on Boeing throughout 2019, leaving it well behind its European rival in both orders and deliveries.

Airbus has a sharp advantage over Boeing in single-aisle planes and has also been making headway against Boeing with longer-range planes due to problems with the Boeing 777X, which is under development.

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APA citation: Big United order shows Airbus opportunity as Boeing reels (2019, December 4) retrieved 21 October 2021 from <https://techxplore.com/news/2019-12-big-airbus-opportunity-boeing-reels.html>

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