

United Airlines unveils record jet order in bet on travel recovery

30 June 2021, by John Biers



In this file photo a United Airlines plane taxis at Los Angeles International Airport on September 27, 2019.

United Airlines announced the largest order in its history on Tuesday, unveiling major purchases from Boeing and Airbus in a significant bet on the travel industry's recovery from COVID-19.

The US carrier plans to acquire 270 new planes consisting of 200 Boeing aircraft and 70 Airbus jets, in an order valued at \$35.4 billion based on the listed price of the jets, although airlines often end up paying much less than the list price.

United executives described the order as a landmark moment symbolizing the radically improved outlook for travel due to access to coronavirus vaccines.

Still, United and other major airlines are expected to report another quarterly loss for the April-June period when they release their earnings reports in July, due to the continued drag from the crisis that has devastated travel revenue for more than a year.

United's business travel volumes are still down 60

percent, with international travel off even more, United Chief Executive Scott Kirby said.

"We're not back to 100 percent," Kirby said during a conference call with reporters in which he outlined how the company leaders had strategized early in the pandemic.

"Because we accurately mapped out the trajectory of the crisis in March and April of last year, it's really allowed us to be prepared and make the right short- and long-term decisions," he said.

During the hour-long conference call, company officials were not asked about the so-called Delta virus variant—which is spreading rapidly in many parts of the world leading to some renewed restrictions—but the announcement illustrates broad confidence in the industry's prospects even as the pandemic evolves.

Investors initially cheered the announcement, but United finished down 0.7 percent. Boeing and Airbus also finished lower following a choppy session.

Narrow-body focus

The biggest component of United's order is for 150 of Boeing's new 737 MAX 10, which is still undergoing tests in a process closely monitored by US air safety regulators. The announcement is a victory for Boeing, after the jet was grounded for 20 months following two deadly crashes.

The order also includes 50 Boeing 737 MAX 8 and 70 Airbus A321neo planes.



Airline executives said they also were bullish about a recovery in international travel, pointing to the summer of 2022 as a likely "record breaker" as US consumers make up for lost opportunities during the pandemic to visit Europe and Asia.

The new planes will include enhanced in-flight entertainment options aiming to delight consumers with access to games and thousands of shows and movies.

In another step to please consumers, United plans to upgrade its existing fleet of narrow-body planes to add more space for onboard luggage.

United Airlines has announced the biggest plane order in its history: 270 planes from Boeing and Airbus.

Richard Aboulafia, an aviation expert at Teal Group, said purchases of the A321 and the 737 MAX—both single-aisle planes—make sense for the airline in the current market.

All three models are narrow-body jets, making them well-suited for domestic and shorter-distance trips that have been among the first to see passenger numbers recover from the COVID-19 pandemic.

"The domestic markets are coming back pretty fast and fuel prices are coming back fast too," Aboulafia said.

"We are truly humbled by United Airlines' confidence in the people of Boeing and the airplanes we design and build every day," said Stan Deal, president and CEO of Boeing Commercial Airplanes.

Airlines must make long-term bets to remain competitive, even if current market conditions still present significant problems, Aboulafia said, adding that current low interest rates also encourage making purchases now.

Airbus Chief Commercial Officer Christian Scherer said, "Such a significant order from a great airline like United underscores that the A321neo offers unmatched capabilities, operating economics, and passenger friendliness."

Scott Hamilton of Leeham News, an aviation website, said he was surprised at the size of the order.

Boeing likely provided United an appealing discount because the company "has to rebuild its order book" after the MAX crisis, he said.

Both the Airbus model and the next-generation 737 MAX are bigger than earlier versions of the same aircraft, a feature especially beneficial for increasing capacity in New York, San Francisco and other markets where adding more flights is difficult or impossible, United officials said. © 2021 AFP

The officials made clear that they have seen very recent signs of an acceleration in business travel bookings, with firms eager to resume client visits as they see their competitors returning to the skies.

APA citation: United Airlines unveils record jet order in bet on travel recovery (2021, June 30) retrieved 4 December 2021 from <https://techxplore.com/news/2021-06-airlines-unveils-jet-recovery.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.