

AFJ market competitors - Small widebodies struggle

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Sales of small twin-aisle aircraft were at best sluggish before the Covid-19 outbreak and the pandemic ensured there was no upturn in 2020. There also was little improvement in 2021.

There are signs that a recovery in singleaisle sales and deliveries is underway and that at least the worst of Covid's impact on commercial aviation is over. However, the signs for widebodies are much less promising, with most forecasts suggesting that the twin-aisle market will be much slower to recover.

Neither the Airbus A330neo family nor the competing Boeing 787 models are showing much sign of an upturn in sales. The larger members of the families, the A330-900 and 787-9, are not faring much better, although the Dubai air show did see a commitment to four A330neos (which was later firmed as five A330-900s) by Air Lease Corporation (ALC) as part of an 111-aircraft deal for mainly single-aisle models.

There are some positive signs in the secondary market. In November, Monaco-based asset management company Stratos announced the delivery of the first of two A330-900's on long-term operating lease to French carrier Corsair. Commenting on the delivery, Brian Jeffery, chief commercial officer of Stratos, conceded that "placing widebodies in the Covid environment is a huge challenge".

Despite having its fair share of technical problems, the 787 programme has accumulated a healthy number of sales, but even the popular -9 model has struggled to regain any sales momentum and deliveries remain at depressed levels.

Orders per year

	Pre-2014	2014	2015	2016	2017	2018	2019	2020	2021 (to 1 December)
A330-800	none	10	none	none	none	8	6	1	none
A330-900	none	110	52	42	10	20	98	none	17
787-8	441	none	9	5	12	24	2	none	1
787-9	468	63	74	75	79	112	91	11	16

Source: Airfinance Journal Fleet Tracker. Includes subsequently cancelled orders

The story is similar for the A330-900. The situation for the smaller members of both the Boeing and Airbus families is worse. Orders for the A330-800 and the 787-8 were already in short supply before the pandemic and there are no signs of the situation changing, with just a single sale between them in 2021. The paucity of deliveries is also an indicator that the market is not picking up to any substantial degree.

Replacement market

Given the 787-8 has been delivered in substantial numbers, Boeing can perhaps afford to be relatively sanguine about the declining backlog for its smallest widebody. The same is not true for Airbus in the case of the A330-800. The European manufacturer continues to remain upbeat about the aircraft's future and it is true there appears to be a sizeable replacement market for which the A330-800 would seem well suited. Candidates for replacement include the 767-300ER as well as the A330-200 and -300.



According to *Airfinance Journal's* Fleet Tracker, there are close to 1,000 of these types in service or stored, which are over 10 years of age.

Financing

The lack of deliveries has naturally led to a decline in financing activity, and the market's appetite for aircraft such as the 787 and A330 models has not been tested. However, as *Airfinance Journal* has reported over recent months, there is some increase in activity. For example, sources have indicated Turkish Airlines is in the market for bank debt, Japanese operating lease with call option (Jolco), sale and leaseback and guaranteed aircraft financing for a batch of narrowbody and widebody deliveries scheduled for next year.

The deliveries are believed to include both the 787-9 and A350-900 models.

For Boeing, there are some worrying developments among the leasing community. Los Angeles-based ALC says it has cancelled orders for three 787-9 widebody aircraft amid "uncertainty" around the programme.

ALC's chief executive officer, John Plueger, says the lessor hoped to deliver as many as 16 787s in 2022, but this hinges on how quickly Boeing was able to resolve the production issues surrounding the type.

Deliveries per year

	Pre-2018	2018	2019	2020	2021 (to 1 December)
A330-800	none	none	none	3	1
A330-900	none	3	41	10	12
787-8	349	11	10	5	2
787-9	287	120	114	36	12

Source: *Airfinance Journal Fleet Tracker*

Operating cost

The claims by manufacturers regarding operating costs of their aircraft tend to focus on the gains compared with their respective previous-generation models. Airbus, for example, says the A330neos "bring a double-digit reduction in fuel burn". How the various latest models compare with each other is more difficult to ascertain.

Airfinance Journal regularly makes its own comparisons based on published data and prevailing economic conditions. Recent analyses have been carried out assuming fuel prices that have been driven down by reduced demand during the Covid-19 pandemic. However, a steady return to high fuel prices has been evident since about April 2020 and reached \$2.3 at the turn of the year (2021/22). This relatively high price is closer to the assumption made by manufacturers when development decisions were being made on the latest-generation aircraft. In terms of cash operating cost comparisons, a higher fuel price favours the new-generation aircraft.

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The *Airfinance Journal* analysis indicates also that it increases the cash operating cost advantage of the 787 family over the A330neo models.

The analysis shows that all new generation models offer double-digit savings in operating cost per seat compared with the A330-200 model. In some cases, the cost per seat is helped by the manufacturer introducing new cabin designs and augmented seating capacities in the latest models - even where there is no actual increase in cabin size from the corresponding previous-generation aircraft.



The 787 models have a significant advantage over their direct competitors. The cash operating cost per seat of the 787-8 is about 13% lower than that of the A330-800. The Airbus model does, however, have a greater range, which may sway the choice of some potential customers. The 787-9 versus A330-900 comparison is closer, but the Boeing aircraft still has a 10% lower unit cost, according to *Airfinance Journal's* analysis.

Despite an earlier entry into service, the 787 models adopted more new technology than the A330neos, which rely largely on improved engine performance for their efficiency gains. The new technology contributed to a troubled development programme and entry into service of the 787-8 in particular, but in a high fuel-price environment the cost benefits of the new technology increase.

The lower development costs incurred by Airbus on the A330neo may allow more competitive pricing to reduce or even negate any advantage of the Boeing models in total operating costs.

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