AIR TRANSPORT

American puts its future in the MD-80
LOS ANGELES

American Airlines has firmly
pinned its medium-term
future to the McDonnell
Douglas MD-80 by making
the type the object of what
may eventually be the largest
airliner order in history.
American has ordered 67
MD-82s and has taken
options on another 100. It is
already operating 20 of the
type under an operating lease
agreement, and is due to take
delivery of a further 13 this
year, so it could eventually
have 200 in its fleet.
If American decides to exer-
cise its options, the order will
represent the biggest airliner
purchase in history in terms
of both money involved and
aircraft numbers. Unlike the
first MD-80 deal American
struck with the manufacturer,
the new order is an outright
buy direct from Douglas
Aircraft. No financial details
have formally been released;
but US airline industry
analysts believe that the deal
contains big price concessions
for American.

They say that the airline is
paying between $18 million
and $20 million per aircraft,
whereas recent MD-80 sales
have been concluded at $24
million to $26 million an
aircraft. American has not
denied reports saying that the
terms of the agreement
include attractive pre-delivery
payments, modest cancel-
lation penalties, and
improved terms on the exist-
ing leasing agreement
covering its first 20 MD-80s.
At a price of $20 million in
1984 dollars a firm order for
all 167 new aircraft would be
worth some $3,300 million.

The carrier will receive 25
aircraft in 1985, 25 in 1986,
and 17 in 1987. Its first option
if exercised would cover the
delivery of eight more in 1987.
Otherwise the options are
generally due for exercising in
groups of ten aircraft from
1987 until 1991. Decision date
for each group option is 24
months before delivery.
An entire 167-aircraft order
would be worth some $764
million to engine manu-
facturer Pratt & Whitney, as
American would want a total
of 382 JT8D-200 series power-
plants including spares, and
each engine costs $2 million.

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American operates
20 MD-80s now,
but could have as
many as 200 by
1991. It is due to
receive 13 this year,
has just ordered
another 67, and has
taken options on
another 100. If all
the options are
taken up, it could
be the biggest
airliner deal ever

The American order takes
MDC's MD-80 delivery back-
log to 150 aircraft.
It seems that American will
not use the MD-80s merely to
replace Boeing 727s. On the
contrary, it looks like Ameri-
can is planning to use most of
its 727-200s for some time to
come. Airline president
Robert Crandall says that new
MD-80s will increase Ameri-
can's seat capacity by a third
between now and 1987,
making it, he claims, the
second fastest-growing large
US airline after People
Express.

The capacity increase is
interesting in view of Ameri-
can's traffic performance in
recent months. Load factors
have been slipping heavily,
with traffic seemingly mainly
lost to United. United's traffic
figures have recently been the
best of all US major carriers.
TWA has lost even more traf-
fic than American. Will it also
go for a big MD-80 order
soon? TWA says it does not
expect to decide imminently
on any new aircraft purchase;
any decision would depend to
some extent on a successful
outcome to negotiations with
unions over work-rule conces-
sions.

American will use its new
MD-80s (each fitted with 142
seats in dual first- and
economy-class layout) to
expand its Dallas/Fort Worth
and Chicago hub operations,
and to increase its presence in
transcontinental and strong
business markets. According
to Crandall, the new aircraft
(together with new labour
agreements) will cut operating
costs by 19 per cent. American
now flies to 108 US airports
with 244 aircraft; United

serves 120 with 329. Crandall
says that United will still
dominate Chicago O'Hare, the
world's busiest airport, but
notes: "There is nothing
wrong with being second".
Although Boeing says it did
not offer the 757 as a
competitor for the American
deal, the airline says it did
consider the type: "We evalu-
ated the 757, but MDC had
the best price and was the
most serious". Neither Boeing
nor McDonnell Douglas see
another order on the scale of
the American Airlines deal for
some time to come, but MDC
reports it is currently nego-
tiating several smaller orders.
MDC also claims that the
much-reported idea of a joint
order deal involving several
US airlines is still alive and
feasible, and would be
welcomed. This consortium-
buying concept was Robert
Crandall's brainchild before
American decided to go it
alone. Boeing says it is not
discussing such a deal with
anybody.

Douglas Aircraft will
increase staff at Long Beach
by 1,000 in 1985, and will raise
its production rate there by
more than 40 per cent.
Current employment at Long
Beach is 12,000, with 6,500
working on the MD-80
programme. Division presi-
dent James Worsham says
that production will increase
from less than one aircraft a
week now to 1-43 a week by
January 1985, and to 1-67 if
other orders keep coming in.
The division believes that
the Long Beach operation
could be profitable in 1984,
but is not predicting whether
it will be or hot. One aero-
space analyst with the First

Boston group estimated that
the 17-week strike at Long
Beach by members of the
United Auto workers union
would cut MD-80 production
this year to 40 aircraft,
instead of the 60 previously
scheduled. If the division does
make a profit this year, it will
be the first in seven years.
Since McDonnell took over
Douglas in 1967, commercial
aircraft sales have made an
overall loss, but some individ-
ual years have shown profits.
McDonnell Douglas is unable
to quantify the overall loss on
airliner sales since 1967, but
some US industry analysts
have calculated it at $450
million on revenues of $7,400
million prior to the American
Airlines order.

McDonnell Douglas re-
ceived some more good MD-
80 news last week. Finnish
flag carrier Finnair ordered
two aircraft, specifying the
increased gross weight MD-
83. This is the first European
order for the new variant.
The new aircraft will
augment three MD-82s
already operated by the
airline. They will be delivered
in the spring and autumn of
1985. One will be dedicated to
long European scheduled
flights, while the other will
mainly operate inclusive tour
charter flights to destinations
in the Mediterranean and
North Africa.

The MD-83 is especially
suited to Finnair's operation
because the country is so far
north of the main European
landmass. The new variant
has a 2,525 n.m. range with
full payload, 500 n.m. greater
than that of the MD-82.
MD-80 orders now total
302, with 144 options in place.

FLIGHT International, 10 March