Boeing ups stakes in Airbus battle

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Boeing is closing in from all sides on Airbus Industrie. The US manufacturer has stepped up criticism of its European rival’s marketing practices, and is expecting to win important support for its stand from the US Government. On a second front the company is aiming to undermine Airbus’ potential markets by extending its own range of derivatives, including the brand new 767-300, and aggressively marketing its proposed 150-seat 7J7, reports Chris Birkett.

The assault on Airbus comes as Boeing expresses increasing concern over European Government “subsidiarisation” of the consortium. While Boeing is also hoping to pump about $4,000 million of retained profits into the 747, Airbus’ five companies are knocking on the doors of their national treasuries for the $2,500 million needed to launch the TA9/11 project. Boeing argues that it is time to call a halt to state-funded capitalism.

“We have been very patient for the last ten years,” says Boeing’s international business director Thomas Bacher, “but we are getting a bit impatient now, and in the future we are going to get a bit mad”. Bacher adds that since the industry is America’s biggest export earner, the US Government is likely to think on the same lines. Boeing will becessively Waddington to act against Airbus under the General Agreement of Tariffs and Trade (GATT), which specifically prohibits many trading practices allegedly used by Airbus, including “indirect” procurement by airlines and inducements to purchase. GATT also requires prices of civil aircraft to be based on “a reasonable expectation of recovering all costs”, Bacher points out.

Defining its own analysis of Airbus Industrie costs (the Europeans refuse to open their books) suggests that the consortium has accumulated a “negative cash flow” of $10,000 million on current projects, and that the figure will double by the end of the century. Bacher adds that Boeing’s estimate is likely to understate Airbus losses—it assumes Airbus has similar costs to Boeing, whereas costs in Europe are likely to be about 30 per cent higher. As a general rule, says Bacher, if a manufacturer does not deliver 350 aircraft in the first ten years “he is in trouble”. Breakeven for a given project only occurs after about 500 units have been produced.

Bacher argues that there is no economic reason for Europe to have its own aircraft industry. “Every country does not have to build every product it consumes. You build good train systems and things like that in Europe, and we do not.” Indeed, he argues that Europe’s companies make more out of Boeing’s success than they do out of Airbus. “The Pan Am deal [12 A310s and 16 A320s] had about $100 million less French content than the United Airlines order for 110 737-300s”.

Boeing’s war with Toulouse is not restricted to words. Last week the company unveiled its latest derivative, the 261-seat 767-300, a 21ft stretch on the standard 767-200. Powered by the JT9D-7R4 engines, it is due to be certificated in September, going into service with Japan Air Lines the following month. A CF6-80A version will be certificated soon afterwards. Boeing has already given the go-ahead to a 300ER version which, by 1988, will have a 400,000lb maximum take off weight, giving it 6,700 statute mile range with full passenger load. Discounting twin-jet operational restrictions, that performance will push the 767-300ER into direct competition with Airbus’ proposed four-engine long-range TA11.

Indeed, Boeing argues that it can squeeze the potential TA11/McDonnell Douglas MD-11 market from both sides by also offering a 747SP-400 with longer range and better seat/mile costs than its rivals.

A 360,000lb maximum take-off weight 767-400 has also been defined. Thanks to another 21ft stretch on the 767-300, it would carry 300 passengers about 3,000 miles, aiming at a similar market to that of Airbus’ medium range A300.

Boeing further claims that while a written-down 727-200 and new A320 have almost identical direct operating cost (DOC), the $26 million (in 1986 dollars) 7J7 will give a 10 per cent reduction in DOC.

Definition of the 7J7 technologies (Flight, October 26, 1985, page 24) is still under way, and Boeing expects to make a decision in May on whether it will be a single- or twin-aisle aircraft. But the company already has decided to offer two different fuselage lengths, one certain to be in the 150-155 seat range. Vice-president product development Jim Johnson says that there has also been interest in a 130-seat aircraft. About $200 million has been budgeted for on 7J7 for development in 1986, which will include 128hr of UDF ground tests and the first flight on a testbed 727.

Recently Boeing announced that Japanese industry will have a 25 per cent equity stake in the 7J7 programme as full risk-sharing partners, an indication of the commitment necessary to develop such a high-technology aircraft. Boeing executives admit they will feel “more comfortable” after they receive reports of noise levels of the UDF from next autumn’s flight-tests.