

Boeing lands huge British Airways order, after Airbus ends A380

28 February 2019, by Ben Perry



British Airways announced a major order of Boeing 777-9 planes weeks after the US giant's European rival Airbus pulled the plug on the A380 superjumbo

British Airways announced a multi-billion dollar order for up to 42 Boeing 777 fuel-efficient passenger jets on Thursday, just two weeks after Airbus said it would no longer make its A380 superjumbo.

BA-parent IAG said its British carrier would purchase 18 777-9 planes made by the US giant, while an option for a further 24 of the aircraft could bring the total cost to \$18.6 billion (16.3 billion euros) at list prices, before the usual heavy discounts are factored in.

It comes as IAG, which owns several airlines including Iberia and Aer Lingus, said that group net profits last year soared 45 percent to 2.9 billion euros on higher passenger numbers and lower costs.

Separately, UK engineering group Rolls-Royce said it dived into a net loss last year as its Trent jet engines were hit by costly repairs—as well as the decision by Boeing's European rival Airbus to pull

the plug on the A380.

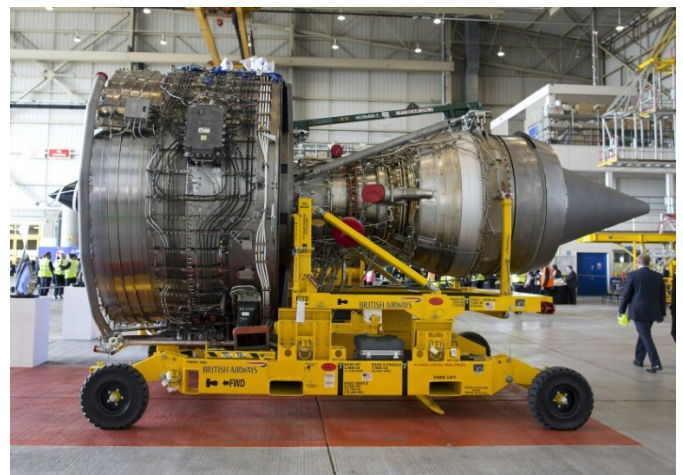
IAG on Thursday said the 777s would replace BA's Boeing 747s, which were seen as a competitor to the A380.

Rolls posted an annual loss after tax of £2.4 billion (\$3.2 billion, 2.8 billion euros) in 2018 that followed a net profit of nearly £3.4 billion a year earlier, as the group also decided to axe thousands of jobs as part of vast restructuring.

The British company also said it no longer wished to be a candidate to make the engine for a new midsize passenger jet proposed by Boeing.

"Rolls-Royce has decided to withdraw from the current competition to power Boeing's proposed middle of the market—or New Midsize Airplane (NMA)—platform," Rolls said in a statement.

"While we believe the platform complements Boeing's existing product range, we are unable to commit to the proposed timetable to ensure we have a sufficiently mature product which supports Boeing's ambition for the aircraft and satisfies our own internal requirements for technical maturity at entry into service."



Rolls-Royce posted a net loss last year as its Trent engines were hit by costly repairs

Chicago-based Boeing is looking at building an NMA, or single-aisle commercial jet for long-haul journeys, to fill a gap in the market—but concrete plans have yet to be announced.

Trent troubles

On Thursday, Rolls said that costs linked to problems with its Trent 1000 engine that powers the Boeing Dreamliner stood at a higher-than-expected £790 million in 2018.

The Trent 1000 has seen some parts wear quicker than expected, forcing Rolls to carry out expensive repairs.

It added that last year's earnings were hit by an additional £186 million "following Airbus' decision to close the A380 production line".

On British Airways' big Boeing order, IAG chief executive Willie Walsh said in a joint statement:

"The new 777-9 is the world's most fuel efficient longhaul aircraft and will bring many benefits to British Airways' fleet.

"It's the ideal replacement for the 747 and its size and range will be an excellent fit for the airline's existing network," Walsh added.

Earlier this month, Airbus said it would stop building the A380 superjumbo.



A British Airways A380 superjumbo, which the chief of BA-parent IAG has said were "excellent" aircraft

The European titan axed production of the double-decker jet on February 14 after failing to win over enough airlines to justify its massive costs.

Prior to Airbus' announcement, Walsh had said that IAG was "very pleased" with the 12 A380s operated by BA and called it an "excellent" aircraft.

However, Walsh had criticised the high cost of the A380, pointing to the "great competition" currently existing between aircraft manufacturers.

Speaking Thursday of the BA order, Kevin McAllister, president and CEO of Boeing Commercial Airplanes, said:

"The 777-9, in particular, simply has no competitor in its class when it comes to efficiency and performance.

"It is the right-sized airplane for British Airways to efficiently serve long-range routes with heavy passenger demand."

Despite news of IAG's bumper profits, the airline's stock slid 0.2 percent lower to finish at 599 pence on London's FTSE 100 shares index, which closed down 0.46 percent.

Boeing's share price advanced 0.54 percent to \$437.81 in early trades in New York.

The news comes amid troubled times for smaller airlines, who are more exposed to volatile jet fuel prices, Brexit uncertainty and a global economic slowdown than their larger rivals.

"The British Airways parent has produced an outstanding performance, which is particularly impressive given the difficulties being faced elsewhere in the airline industry," noted Interactive Investor analyst Richard Hunter.

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