

American Airlines Buys 460 Planes From Airbus, Boeing

David Koenig, AP Airlines Writer

FORT WORTH, Texas (AP) — American Airlines is buying at least 460 new planes over the next five years in what it calls the biggest airline order in history. And in a victory for Airbus, it's splitting the work between the European plane maker and Boeing.

American said Wednesday it will buy 260 planes from Airbus and 200 from Boeing Co. It expects the new, better-mileage planes to provide much-needed savings on fuel costs. American's current fleet is among the least fuel-efficient in the industry.

AMR Corp., American's parent, also announced that it plans to spin off its American Eagle regional-flying subsidiary as a separate company.

The twin announcements overshadowed AMR's news that it lost \$286 million in the second quarter, as rising fuel prices wiped out gains in revenue. The loss equaled 85 cents per share. Wall Street was expecting a loss of 77 cents, according to FactSet.

In recent weeks, the airline industry was riveted by the drama of Airbus and Boeing making competing bids to overhaul American's fleet. American currently flies and all-Boeing fleet.

In discussions that lasted long into Tuesday night, American decided to buy 200 planes from Boeing's 737 family of workhorse single-aisle planes, with deliveries starting in 2013. Half are expected to be equipped with updated, more fuel-efficient engines. The airline said it will take options for another 100 737s.

American also will buy 260 planes from Airbus's A320 series with deliveries starting in 2013, and take options and purchase rights for 365 more. Starting in 2017, American will get the first of 130 copies of a new Airbus plane called the A320neo — for new engine option — which Airbus claims will be 15 percent more fuel-efficient than current jets when it goes into service in late 2015.

American will also take options and purchase rights for up to 465 additional planes through 2025, mostly from Airbus.

Airbus CEO Tom Enders called American's decision "a strong vote of confidence in our product in the important North American market." Airbus is part of European Aeronautics Defence & Space Co.

With American paying more than \$3 a gallon for fuel, the search for better mileage helped drive the company's plane-buying decision.

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American's fleet of more than 600 planes averages about 15 years in age, among the oldest in the U.S. airline industry. One-third of the fleet consists of fuel-guzzling McDonnell Douglas MD-80 aircraft.

"The plan was to replace those MD-80s over seven or eight years," said Mike Boyd, an aviation consultant who studied American's fleet for its pilots' union. "Well, American can't wait that long, not with fuel over \$3 a gallon. They've got to unload those MD-80s."

In a statement, AMR's Chairman and CEO Gerard Arpey said American "expects to have the youngest and most fuel-efficient fleet among our peers in the U.S. industry within five years."

The need for fuel-efficiency was evident in AMR's second-quarter results. Revenue rose to \$6.11 billion from \$5.67 billion a year ago, thanks to higher fares and fees. But American's fuel bill rose 33 percent — an increase of \$547 million from the same period last year, outstripping the gain in revenue. Fuel has overtaken labor as the airline's biggest expense.

American has used Airbus planes before, although only a few dozen of them — it grounded the last one in 2009. When American intensified plans to overhaul the fleet a couple of years ago, Chicago-based Boeing was seen as the favorite.

In recent months, Boeing has publicly debated whether to put a new engine on the 737 or take the more radical and costly but perhaps rewarding move of developing an entirely new plane. Airbus, meanwhile, was forging ahead by taking hundreds of orders for the A320neo.

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