

JAL Makes First Purchase From Airbus, Not Boeing

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TOKYO (AP) -- Japan Airlines is buying its first-ever jets from Airbus in a deal with a list value of 950 billion yen (\$9.5 billion). The purchase of 31 A350 planes deals a blow to U.S. rival Boeing, which had been JAL's star supplier for decades.

Airbus Chief Executive and President Fabrice Bregier and Japan Airlines President Yoshiharu Ueki signed the deal Monday in Tokyo, which includes an option for JAL to buy 25 more Airbus planes. They declined to give the actual price tag on the deal.

Ueki said the decision to turn to the European manufacturer, based in Toulouse, France, for replacements for retiring Boeing 777 jets was unrelated to the problems that have plagued Boeing's rival offering, the 787 Dreamliner planes.

The 787 jets were grounded for four months earlier this year to confirm their safety after their lithium-ion batteries overheated. The batteries are now encased to prevent overheating from spreading.

The 787 development was also repeatedly delayed, frustrating JAL as well as rival All Nippon Airways, Japan's other major carrier.

"We are sorry for the troubles we have caused our customers with the 787, but the decision on the aircraft was considered separately from that issue," Ueki told reporters.

He repeatedly said the A350 was chosen because it was the "best match for our needs."

He brushed off concerns about the additional training JAL pilots will need to fly Airbus planes, which they are not used to. Even after taking such costs and risks into account, the A350 was the best choice, he said without giving specifics.

Airbus and Boeing have for years waged a no-holds-barred slugfest in markets around the world. This commercial battle has also spilled over into a years-long legal fight at the World Trade Organization between the two plane makers over government subsidies or other forms of state aid.

Lately the battle has focused on sales of the next generation of long-range, wide-bodied jets. In that matchup, Monday's order represents a big blow landed by Airbus A350 against Boeing's 787.

Behind the domination of Chicago-based Boeing Co. are the historical ties between Japan and the U.S., including security arrangements. But in recent years, other

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Japanese carriers, especially the newer low-cost airlines, have been gradually switching to Airbus.

Boeing said Monday's deal did not hurt its relationship with JAL.

"Although we are disappointed with the selection, we will continue to provide the most efficient and innovative products and services that meet longer-term fleet requirements for Japan Airlines," it said in a statement.

"We have built a strong relationship with Japan Airlines over the last 50 years and we look to continue our partnership going forward."

Boeing spokesman Rob Henderson said the company was preparing the 777X as replacement aircraft for the 777. It will be a larger jet, and the company has not yet started taking orders.

Issei Hideshima, an aviation analyst in Tokyo, said the days in which Boeing dominated the nation's jet industry were over, as Japan was forming more ties with Europe politically as well.

JAL may also have its eyes on Airbus' even bigger jet, the A380, as a future buy for use on lucrative routes such as those to Asia.

"ANA was the launch customer for the 787, and so JAL wants out of its commitment for the 787 with all its problems," he said. "So JAL has been switching gears and moving to Airbus."

JAL is a special kind of carrier in Japan because of its close ties with the government. But Ueki said JAL did not consult the government or other parties in reaching their decision, and made it on its own.

JAL sank into bankruptcy three years ago, but re-emerged last year in one of the biggest IPOs in Japanese history, after receiving a government bailout and undergoing restructuring.

The carrier was long the symbol of Japan's economic rise. In recent decades, it was hobbled by a bloated workforce, unpopular routes and safety lapses.

Monday's deal marks the first for the A350 in Japan.

The planes go into service in 2019, both sides said. JAL will be among the top customers for the A350, which also include Singapore Airlines and United Airlines.

Ueki declined to give the specific flight routes where these jets will be used, but said they will basically take over the routes for the retiring 777s.

Bregier praised the deal as "opening a new chapter in our relationship," and as a boon to EU-Japan relations. Several EU ambassadors to Japan were present at the signing at a Tokyo hotel to welcome the move.

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Bregier called the JAL deal a breakthrough. But he noted he did not want to dwell on the past, and said it merely underlined that Airbus had the better product.

"The world is changing. There is open competition everywhere," said Bregier.

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