AIRLINES EXPECT LOW OIL PRICES WILL END IN ABOUT THREE YEARS

News / Airlines

Airlines expect the low oil prices that have been propping up the industry will end in about three years, just in time for new fuel-efficient planes to enter service, according to the top executives of jetmaker Airbus Group SE and lessor AerCap Holdings NV.

“Take the A320neo, the new Airbus product. We have already leased over 100 of those airplanes and we haven’t even taken delivery of the first one,” AerCap Chief Executive Officer Aengus Kelly said in an interview on Bloomberg TV with Anna Edwards. “We’ve never seen demand for a new technology asset that we are seeing for this airplane, and similar for the Boeing 787.”

Carriers have kept operating older aircraft, taking advantage of growing demand and relatively low operating costs, while preparing for a rise in crude prices by ordering fuel-efficient Airbus and Boeing Co. jetliners. Those will start arriving toward the end of the decade.

“We are definitely seeing airlines extending the life of airplanes, that we had assumed we would be parting out into beer cans,” Kelly said Wednesday in Dublin ahead of the International Air Transport Association trade group’s annual gathering. “However, we’re not seeing them extend the life of these assets past three years.”

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Selling ‘Splendidly’

The A320neo, the letters stand for new engine option, is selling “splendidly” as carriers look ahead to higher fuel prices, Airbus CEO Tom Enders said at the Berlin Air Show, also on Wednesday. “If an airline orders a neo today, they won’t get it for three, four or five years.” Airlines aren’t assuming oil will stay at its current level indefinitely, Enders said.

Bombardier Inc. is relying on the fuel efficiency of its coming C Series jetliner to break the Boeing-Airbus duopoly. The Canadian manufacturer in April won an order from Delta Air Lines Inc. for 75 of the jet, valued at $5.6 billion at list price.

“Airlines are seeing that as a good opportunity today, to have positions for aircraft that will come into operation over the next few years,” Bombardier CEO Alain Bellemare said in an interview in Dublin. “They’re hedging their position for the future.”

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