AIRBUS UNDER NEW PRESSURE OVER A400M AS DELIVERIES SLIP

News / Manufacturer

Airbus Group (AIR.PA) faces renewed pressure from France and other European buyers to meet performance and delivery pledges for its A400M military transport plane but is struggling to meet the deadlines, people familiar with the matter said.

After partly successful efforts to overcome delays on Europe's largest defense project, the A400M has been plunged into uncertainty again, especially due to issues at an Italian subcontractor that have sparked potential compensation claims.

France has written to Airbus pressing it to say whether problems with Italian-built gearboxes and other threats to the A400M's military effectiveness will be resolved this year, but Airbus has declined to give that assurance, the people said.

With urgent needs in sub-Saharan Africa and Iraq, France has raised concerns about three main problems hampering the troop and heavy equipment carrier: gearbox flaws that require the planes to be checked every 20 flight hours, incomplete defensive systems and limits on certain types of parachute operation.

Asked if Airbus had been able to give clarity on resolving them, one person familiar with the matter said, "No, not right now, and especially not in the required timetable, which is by the end of this year".

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The French government declined to comment.

Airbus said it did not comment on discussions with buyers.

The A400M has been ordered by seven members of the North Atlantic Treaty Organization - Belgium, Britain, France, Germany, Luxembourg, Spain and Turkey - to give Europe an independent airlift capability.

German Defence Minister Ursula von der Leyen said last week that the country would exercise its right to compensation for delays in deliveries of the A400M and may have to buy other transport planes as well.

In 2010, the A400M received a 3.5 billion euro bailout and Airbus later overhauled its management, but problems continue to beset the project launched in 2003 and Airbus is expected to add to the more than 5 billion euros it has already written off.

Last year, a fatal crash that is still being investigated exposed a vulnerability in cockpit alarm systems.

Then early this year a crack was found inside a power gearbox (PGB) made by General Electric's (GE.N) Italian unit Avio Aero, leading to tough new inspections.

"It is currently the main problem and it generates uncertainty about the number of aircraft that can be delivered this year, because it is still unknown how many PGBs Avio can provide," a person close to the project said.

Avio's Turin factory "must be modernized," the person said, adding that things had improved since GE bought it in 2013.

POLITICAL TWISTS

An Avio spokesman said, "we are committed to improving our production" and declined comment on the A400M.

Airbus, however, believes it is making progress and hopes to have a certified long-term solution in place for the gearboxes in September, industry sources said.

In April, it said it still hoped to meet a delivery target of 20 A400Ms in 2016, but that goal is increasingly in doubt. It has delivered five so far this year, including one to France.

"We know it is very frustrating for our customers and are working extremely hard with our engine suppliers and specifically Avio to work out a solution and implement it as quickly as we can," an Airbus spokeswoman said.

Avio's involvement reflects the political twists and turns of a program first mooted in the 1980s.

Avio was originally part of a French-led consortium that bid against Rolls-Royce (RR.L) to provide engines for the A400M. The European engine partners eventually came together to make one combined bid, which won backing in 2000 from politicians over a transatlantic Pratt & Whitney (UTX.N) model favored by Airbus.

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A year later, Italy pulled out of the A400M project but Avio remained as gearbox supplier to the European engine team.

Airbus Group CEO Tom Enders has faulted European governments for tying the A400M to an untested engine consortium, but government officials say past mismanagement is also to blame.

Air chiefs have nonetheless praised the capability of the plane, which Enders last week said would be "worth waiting for".

Airbus is meanwhile weeding out other problems, including replacing an alloy used below the wing due to a hairline crack, and testing aerodynamic improvements and equipment changes to allow side-door parachute drops from both sides of the plane.

But mid-air refueling of helicopters, required by France for its special forces, remains some way off, prompting Paris to place a recent order for four Lockheed Martin (LMT.N) C-130s.

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