BOEING AND AIRBUS ARE FACING THE END OF THEIR DUOPOLY, ANALYST SAYS

News / Manufacturer

Boeing and Airbus face a series of problems, including new competitors and diminishing new orders, that appear to spell the end of their duopoly, says a Moody's analyst.

Meanwhile, the aircraft market has come to favor buyers over sellers, with oil prices down and the number of new orders slowing, forcing both Airbus and Boeing to accept lower profitability in order to protect market share.

Not only did the CS100 sell at a discount, but also United is believed to have received a steep discount when it ordered 25 current generation Boeing 737-700s in February. Bombardier competed for the order up until the final week.

It's unclear whether American can take advantage of falling prices for aircraft. In 2011, American placed the largest aircraft order ever for 460 aircraft from Boeing and Airbus. "Combined with US Airways' pre-merger order book, American really has no need to place additional orders for mainline aircraft," Solomon said in the interview. "Although as one of the biggest customers of Boeing and Airbus, they have pricing power, it is not clear to us that they have flexibility to modify/re-price existing contracts."

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Looking ahead, Solomon wrote, by the end of the decade Boeing and Airbus combined will produce about 120 single-aisle airplanes every month. Competitors' combined annual production will be only slightly higher, he said, but competitors will continue to nibble around the edges of the order books.

Moreover, Solomon said, Bombardier is likely to produce a larger variant, with 160 to 180 seats, by stretching its forthcoming CS 300 aircraft with 130 to 160 seats. "Such an airframe would fall much more squarely in the middle of the Boeing/Airbus fairway for single-aisle jets, presenting an even bigger challenge to their duopoly standing," he wrote. "The ensuing pricing environment would then heat up even more."

26 MAY 2016

SOURCE: THE STREET
ARTICLE LINK:
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