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October 28, 2006

End looms for Airbus A340 as Emirates cancels \$4bn orders

BY DAVID ROBERTSON **AERONACA NRC INVENTORY**

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EMIRATES, the fastest growing global airline, has dumped orders worth \$4 billion (£2.1 billion) for the Airbus A340 and admitted that it is in negotiations to buy \$8 billion worth of Boeing 747s.

The carrier is dumping ten firm orders and eight commitments to buy A340s because they no longer fit the carrier's requirements. The move effectively kills off the A340.

The airline is also talking to Boeing, Airbus's rival, about buying the new generation of jumbo jet, called the 747-8. Tim Clark, the president of Emirates, said yesterday that he might buy 20 to 30 of the new 747s if Boeing agreed to change the specifications.

Aviation analysts believe that Emirates' decision to dump the A340 effectively signals the end of the aircraft's life in its current form.

The A340, introduced in the 1980s, is a four-engined plane seating up to 323 people, but it has become unpopular as fuel prices have risen. With airlines attempting to cut their fuel budgets, the twin-engined Boeing 777s and 787s, which cover the 250-seat to 350-seat range, are proving more popular. Customers that want four-engined planes are opting for much larger units, such as the 747 and the A380, which are more cost-effective per passenger.

Airbus has won only three A340 orders so far this year compared with Boeing's

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Analysts believe that Airbus will either have to remodel the aircraft or encourage customers to wait for at least six years until it can introduce a replacement.

Speaking at Heathrow yesterday, Mr Clark said: "The A340 is starting to move away from what the market wants while the 777 has come in and is a better plane."

Mr Clark also expressed concern about another Airbus project, the A380 superjumbo. Emirates is the A380's largest customer, with 45 on order, worth \$13.5 billion at list prices, but it has been frustrated by production delays.

The A380 will now be delivered two years late, which Mr Clark said would cost Emirates "hundreds of millions of dollars" in lost revenue. He has not yet started talking to Airbus about compensation payments, but said he remained committed to the aircraft.

Airbus has told Emirates that its A380s will start to be delivered in 2008, but the airline is cautious about this date. As *The Times* reported two weeks ago, Emirates is sending its own team of auditors to the Toulouse factory where the aircraft is being assembled to assess whether there will be further delays in production.

The airline has bought seven extra Boeing 777s as insurance in case Airbus fails to meet this latest delivery target.

Emirates has ambitious plans to continue growing at more than 20 per cent a year. Mr Clark said that he thought there was a gap in the market for a 400-seat jet and he is talking to Boeing about buying 747s to fill this.

Boeing's 747-8 is due to come into service in 2009, seating about 460 people but Emirates wants the American company to build a smaller version for the airline. This version would seat fewer people but have a longer range, allowing Emirates to fly direct from Dubai to Los Angeles.



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