ANALYSIS: A350 CHALLENGES ARE TRANSITORY

News / Manufacturer

The delivery of the first Airbus A350 (an A350-900) to Singapore Airlines has been delayed, according to a report in Australian Business Traveler. The aircraft was scheduled to be delivered this month, but initial delivery was delayed due to issues with the interiors (seats and toilets) provided by component manufacturer Zodiac Aerospace.

Singapore Airlines told Australian Business Traveler that delivery of the aircraft is now projected for the first quarter of 2016, with the entry into service (EIS) targeted for March or early April. Singapore Airlines is the largest customer for the A350-900 (second largest for the A350 overall) with 67 aircraft on order and in October of 2015 became the launch customer for the A350-900ULR. This ultra long haul (ULH) plane will be used by Singapore Airlines to restart nonstop flights from Singapore to the US.

An uneven 2015 builds into challenging early 2016

After ending 2014 on a tear, peaking in November when it won a key head-to-head battle with Boeing over 747-400 replacement for Delta, the A350 program had a more topsy-turvy experience in 2015. The year did start with a bang when the A350 had its first revenue flight with Qatar Airways. But, despite record sales for Airbus overall, the A350 actually lost 3 net orders in 2015, as opposed the 71 won by the Boeing 787 family. Some of the lack of sales momentum is certainly

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driven by the fact that the A350 is sold out till 2021 (lessor slots sold out until 2019).

The decline in fuel prices has reduced the impetus for carriers to replace current generation widebody fleets, and carriers with urgent replacement needs simply can't turn to the A350 if they need frames before 2019. This factor has certainly driven incremental orders to the Airbus A330-900neo and Boeing 777-300ER, which could help explain these aircraft's relative sales momentum in 2015. However, Leeham News also posited in a commentary published yesterday that Airbus appeared to shift its sales focus in 2015 away from the A350 to the A380 (which only managed a paltry 3 sales of white tail aircraft to ANA).

And in spite of winning a new A350-1000 customer in early 2016, the new year hasn't eased the pressure on Airbus' next generation widebody. Zodiac Aerospace is a real problem for the A350, as Airbus CEO Fabrice Bregier and lead salesman John Leahy both admitted in the carrier's annual order/delivery results press conference Tuesday. Zodiac's struggles to deliver its parts on time and on spec have hampered A350 production (as Zodiac is a single source supplier for the seats/toilets of the A350). Zodiac's screw ups in 2015 prevented Airbus from meeting its annual delivery target of 15 aircraft, and threaten to do the same to the target of 50 deliveries in 2016 if Zodiac doesn't get its act together.

Between constant issues with Zodiac and poor sales momentum, the A350 isn't in a great position at the start of 2016. But it is important to separate the signal from the noise. The A350 is still an ultra-efficient aircraft that Airbus has launched into service with strong dispatch reliability (targeting 98.5% in 2016) and excellent technical quality thanks to its judicious approach to program development. There are also still hundreds of Boeing 777s and Airbus A330/A340s that don't have replacement orders on tap yet (for example Saudia's fleet of 23 Boeing 777-200ERs), so longer run sales prospects are bright. We also believe that Airbus will clear the issues with Zodiac in the first half of this year, clearing the path for a smooth ramp up of production in the back half of the year.

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