



MOODY'S: COMAC'S C919, IRKUT'S MC-21 POSE NO IMMEDIATE THREAT TO BOEING, AIRBUS DUOPOLY

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Moody's Investors Service says in a new report that despite its recent maiden test flight, the C919, China's first large passenger jet, is still years away from threatening to break up the decades-long duopoly that Boeing Co. and Airbus SE have maintained in the narrow-body passenger aircraft market.

"We believe that the C919's entry into the global market remains at least five years away because of the arduous process, from first flight to certification, for a new entrant into the large commercial aircraft sector," says Jonathan Root, Moody's VP-Senior Credit Officer. "Moreover, following entry into service, the aircraft will require years to demonstrate competitive, if not superior, performance relative to Airbus' A320neo and Boeing's B737 MAX 8, which will likely be required to persuade airlines outside of China to add the aircraft to their fleets."

The Commercial Aircraft Corporation of China's (COMAC) first public test flight of the C919 on May 5, 2017 kicked off a flight test program aimed at securing certification from the Civil Aviation Administration of China (CAAC), which would allow the aircraft to operate within China and in certain nearby regions. In order to market the C919 more broadly, COMAC

must gain certification from the US Federal Aviation Administration (FAA), the European Union's European Aviation Safety Agency (EASA) and aviation authorities in other countries.

Airbus required 14 months to get FAA and EASA certification for its A320neo, while Boeing's certification program for the 737 MAX 8 ran for about 13 months. Moody's expects the certification program for the C919 will require significantly more time given its clean sheet design and the fact that there is currently only one aircraft in the program.

COMAC's significant flexibility to price the C919 competitively is the key risk facing Boeing and Airbus, notes Root. However, it will be challenging for the C919 to gain a foothold in the fleets of existing carriers outside of China because of the costs associated with replacing one type of aircraft with another, or adding an additional type from a different manufacturer to an existing fleet.

According to Moody's, the IRKUT MC-21 narrowbody, which held its maiden test flight on May 28, 2017 also faces a multi-year certification program and questionable appeal to airlines outside of Russia before loosening Boeing's and Airbus' hold on the narrowbody market.

Moody's research subscribers can access this report at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1072774.

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