

EDITORS' PICK | Apr 22, 2020, 07:28am EDT

The 717 Is Delta Air Lines' Biggest Small Problem. Can It Swap Them For 100 737 MAX Aircraft?



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Aerospace & Defense

The 717 aircraft is the biggest of Delta DAL Air Lines' smaller problems. The mantra for airlines in this downturn is to save cash, so they are examining high expenses like aircraft lease payments.

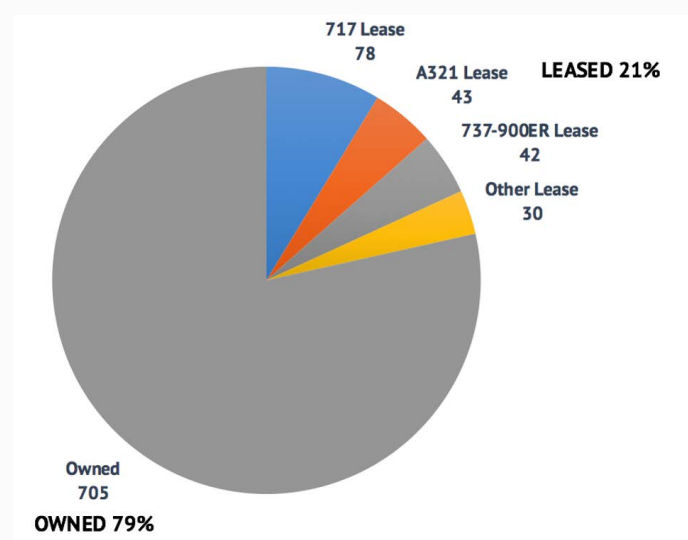
Fortunately for Delta, it has less burden since it owns 79% of its aircraft, including almost all of its more costly widebodies.

But for the 193 aircraft it leases, the 717 dominates, accounting for 40% of Delta's leased fleet. If Delta can reduce exposure to the 717s, its lease obligations



significantly decrease. Delta might have a plan.

Delta fleet breakdown as Dec. 31, 2019



Delta Air Lines fleet composition as of December 31, 2019.

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Delta wants to give it 717s to Boeing BA and in exchange Delta would order 100 737 MAX aircraft, the [Air Current reported](#). The MAX family, which starts at around 150 seats, would not be a direct replacement for the 110-seat 717. Instead the MAX aircraft would be part of a larger fleet shuffle.



Delta Air Lines Boeing 717-200 airplane as seen on the final

approach landing at New York JFK John ... [+] NURPHOTO VIA

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Most of Delta's 717s are rented from Boeing's leasing arm, so Delta's idea would see it return the 717s to Boeing earlier than contractually planned.

Boeing taking old aircraft in exchange for selling new aircraft – akin to a trade-in – is not common but has occurred, sometimes with aircraft Boeing does not lease or even manufacture. Boeing in 2012 agreed to buy five of China Eastern's Airbus A340-600s in exchange for China Eastern purchasing 20 Boeing 777-300ERs.

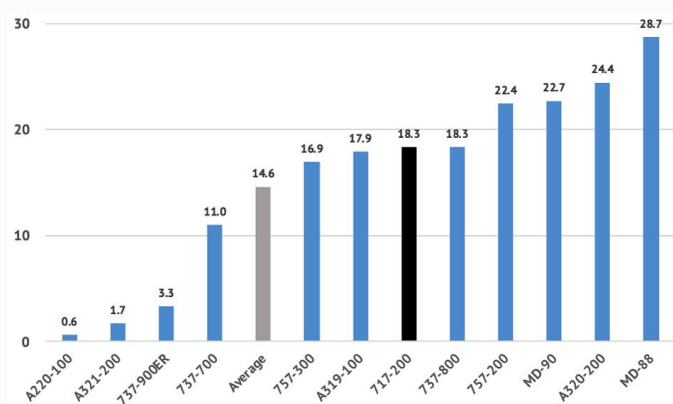
Delta's impetus is short-term. In the long-term it must buy the 100 737 MAX aircraft, but the bulk of payments are made closer to delivery. That will not drain cash in the fragile next year. For now, Delta would receive an important breather on 717 lease costs.

The MAX presents opportunity. It is a buyer's market as airlines and lessors cancel 737 MAX orders. Boeing would be eager to sell 100 MAX aircraft in this

environment, especially to a blue-chip customer like Delta that has not ordered the MAX but has bought 100 of Airbus' rival A321neo. Delta also has outstanding orders for the smaller A220.

Of Delta's 91 717s, 78 are leased and the remaining 13 owned. Lease costs for such a large fleet add up, but individual costs are low since the aircraft are old – they average 18 years, lower than the MD-88's average age of 29 years.

Delta Air Lines narrowbody fleet age as of December 31, 2019.



Delta Air Lines narrowbody fleet age as of December 31, 2019. WILL HORTON

The 717s could have reached a similar age as the MD-88s since Delta last year tentatively planned to keep the 717s until 2030.

The plan would have seen the interiors updated, giving the customer-friendly benefit of in-seat TVs. But that may have been prompted by an FAA mandate.

The FAA in June 2017 issued an airworthiness directive requiring certain seats on 717s and other aircraft be replaced since they may cause neck injury during a crash. The FAA gave five years to replace the seats, so Delta would need to replace any impacted 717 seats by mid-2022.

Purchasing new seats, taking the aircraft out of service and installing the seats would incur costs. The investment return changes if Delta does not want to keep the aircraft much past 2022.

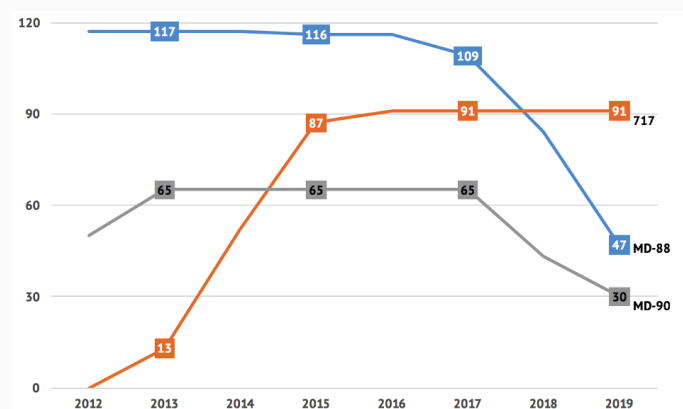
Delta pushed back on the airworthiness directive, questioning the validity and scale. Delta said replacing seats may be “premature” without further testing.

If a fix was needed, Delta and SkyWest Airlines wanted the option to modify the affected parts rather than replace the entire seat. At fault were the seat’s back assembly, tray table, seat lock and energy absorbing system.

Delta also said the FAA under-estimated cost, which the regulator considers in airworthiness directives. The FAA dismissed concerns and proceeded with the mandate.

There are still 91 717s with Delta – it has not retired any. But Delta has been gradually retiring the older MD-88 and MD-90.

Delta Air Lines 717, MD-88 and MD-90 in-service fleet at year end



Delta 717, MD-88 and MD-90 in-service fleet at year end. WILL HORTON

Almost the same age as the 717 are Delta's A319s and 737-800s. Retaining those aircraft is cheaper from an ownership perspective since Delta owns almost all them: 73 of the 77 737-800s and 55 of the 57 A319s. As Delta owns those aircraft and is not committed to fixed lease durations, it has the freedom to retire the aircraft when it wants to – unlike the 717s.

Delta uses the A319 and 737-800 differently from the 717. The 717 is smaller with 110 seats compared to the 132 on the A319 and 160 on the 737-800.

The 717 flies shorter sectors with an average stage length of 570 miles, half the

737-800's average 1,081 miles, according to AirInsight's Decision Analytics. Delta's only aircraft to fly shorter sectors on average is the MD-88 (449 miles), which is being retired.

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I have been covering airlines and aerospace in Asia-Pacific for 10 years. I am particularly interested in aeropolitics, cross-border investments, partnerships,...

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