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## Airframers

# United's order reinvigorates Max programme, but Airbus deal casts unwelcome shadow

By [Jon Hemmerdinger](#)

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There is no getting away from the fact that United Airlines' recent 200-unit order for Boeing's 737 Max throws considerable – and much needed – additional momentum behind the programme, even if the airframer had to offer a significant discount to secure the business.

But the carrier's simultaneous deal with Airbus for another large batch of A321neos is an unwelcome reminder that the European airframer is continuing to encroach on Boeing's turf.

Unveiled on 29 June, the parallel commitments comprised 50 737 Max 8s and 150 Max 10s – the largest variant of the 737 Max family – plus 70 A321neos. United expects to begin operating both the Max 10s and A321neos in early 2023, around the time that Boeing plans to deliver its first examples of the variant.

That deal for A321neos – added to an existing commitment for 50 of the longer-range A321XLRs – is illustrative of the success Airbus is having with the largest variant in its narrowbody line-up.

“Those 70 [A321neos] could have been 737s, but Boeing doesn't have an airplane that can do what

the A321 can," says BofA Securities financial analyst Ron Epstein. "To me, the real story is [that] Airbus is taking more share at an airline that... was leaning heavily toward Boeing."

Source: Pilar Wolfsteller/FlightGlobal

United's first 737 Max 8 formed the backdrop to its 29 June order announcement

Analysts view the split order as perfectly logical. The airline can use its 737 Max fleet primarily to operate domestic flights – a role well suited for the 737 Max 10. That jet can carry more passengers than other Max variants and has 3,300nm (6,110km) range – enough to fly transcontinental US routes.

Meanwhile, United can deploy its new A321neos on both domestic and international routes, and from slot-constrained airports. With a baseline range of 4,000nm – rising to 4,700nm for the in-development A321XLR – those jets can serve transatlantic destinations from places like Newark, a major East Coast hub for the airline.

Source: Airbus

Carrier is also taking 70 A321neos as part of fleet update

BofA pegs the list-price value of the combined Airbus-Boeing orders at \$30 billion, though airlines, particularly those the size of United, do not pay list prices. The actual value of a new 737 Max 8 is \$49.6 million, compared to \$49 million for an A320neo, according to Cirium, which also values a 737 Max 10 at \$54.6 million, and an A321neo at \$58.8 million.

“It’s a win for United because they probably got very good pricing coming out of a downturn,” says George Dimitroff, head of valuations at Ascend by Cirium. “I’m almost certain [the Max 10 price] was cheaper than the A321, which explains why they ordered 150 Max 10s.”

Dimitroff says the deal’s heavy tilt toward Max 10s further benefits Boeing because those jets command a higher price than smaller Max 8s and Max 9s, but cost comparatively little more to produce. “Even if United got a sweet deal for the Max 10, Boeing is getting more money for the Max 10,” he says.

Analysts also view United's order as an endorsement for the Max 8, which the airline chose over the A320neo.

"I think it's important to acknowledge that... in sheer performance and technical merits, the Max 8 is doing better than the A320," says Michel Merluzeau, analyst with consultancy AIR.

In a two-class layout, the Max 8 can carry about 162 passengers – eight more than the A320neo – and costs 5-8% less per seat-mile to operate, according to data from AIR affiliate AirInsight Group.

"If you line up the 737 Max [8] to an A320, it's a better plane," Epstein adds.

## WHITE TAILS

Some additional good news for Boeing can also be discerned from United's commitment: disclosing its new order, the airline said only 25 of the incoming 737 Max will be white tails – meaning aircraft that have been built but which are not assigned to specific customers. Boeing's inventory of such jets has accumulated in recent years as airlines cancelled orders amid the Max grounding and Covid-19 pandemic.

In 2020, the airframer logged 641 Max cancellations, offset by new orders for 130 of the jets. Last year, Boeing also stripped another roughly 550 Max orders from its backlog to reflect uncertainty that those sales would complete due to factors including the financial condition of the buyers.

That trend has reversed in 2021. In the year to date, Boeing has landed new orders for at least 505 737 Max, offset by 255 cancellations, according to customer reports and Boeing's data. (Those figures will likely change, as Boeing has not yet reported final June order and delivery numbers). Besides United, Alaska Airlines, Dubai Aerospace Enterprise, SMBC Aviation Capital and Southwest Airlines have ordered Max aircraft in 2021.

Boeing has logged hundreds of 737 Max orders this year	
Customer	2021 Max orders
777 Partners	24
Air Lease	3
Alaska Airlines	45

Dubai Aerospace Enterprise	14
SMBC Aviation Capital	14
Southwest Airlines	134
United Airlines	250
Unidentified customers	21
<b>Gross 2021 orders*</b>	<b>505</b>
2021 Cancellations*	255
<b>Net 2021 orders*</b>	<b>250</b>
* Includes full data through May and United's June order	
Source: Boeing and customers	

As of 1 July, Boeing's pool of completed aircraft included only 23 Max white tails, according to Rob Morris, Ascend by Cirium global head of consultancy.

"Those orders seem to have cleared up the inventory of white tails," his colleague Dimitroff says. Finding customers for those jets can help Boeing "slowly increase their pricing on the Max", he adds.

## SHIFTING MARKET SHARE

As one of its most loyal customers, the United deal was always Boeing's to lose. The carrier is the product of the merger between the legacy United Airlines and Continental Airlines, a famously staunch Boeing operator long headed by Gordon Bethune, who had previously worked at the airframer.

That is not to say the airline has shied away from Airbus products. Pre-merger United was an early customer of first-generation A320-family jets. It still has nearly 200 of those in service and storage, but aged between 14 and 28 years, they are quickly approaching retirement. United also holds orders for 45 A350s, Cirium data shows.

But the bulk of United's narrowbody fleet are 737s. It has nearly 375 of those jets, including many new 737NGs and 737 Max jets, plus outstanding previous orders for another 180 737 Max aircraft.

For those reasons, United might have been expected to stick solely with the Max for its narrowbody requirements. But the type's grounding set the programme back and threw Boeing off track, says Epstein. The company has not moved forward with a 757/767 replacement – the so-called “mid-market jet” that the aerospace community expected Boeing would have launched several years ago.

If not for the Max issues and associated fallout, “all those airplanes would have been 737s”, Epstein says. “And Boeing probably would have had an answer in the middle of the market.”

Analysts view United's A321neo orders as reflecting continued inroads into the middle market made by the European manufacturer.

Ten years ago, Boeing's 737 and legacy McDonnell Douglas types held about 60% of the global narrowbody market, with A320-family jets accounting for the remainder, Cirium data shows.

Those figures have since shifted to an almost 50-50 split between the two airframers. At the end of May, Airbus had 6,144 A220s and A320-family jets in its backlog, compared with Boeing's 4,014-strong Max order book.

Analyst Richard Aboulafia of Teal Group has predicted that the A321neo's success could drive Airbus's share of the narrowbody market to 60%. As of end-May it had taken total orders for 3,472 examples, around 46% of total A320neo-family sales, the airframer's data shows.

## MID-MARKET, STILL OPEN

Industry watchers also broadly view United's order as another reminder that neither Boeing nor Airbus offer a jet truly filling the mid-market niche – the space long occupied by 757s and 767s.



Source: A Perlham Photography/Shutterstock

Incoming jets will replace 757-200 fleet

United chief executive Scott Kirby said the incoming jets will replace the airline's roughly 40 757-200s, which have up to 176 seats in the airline's configuration. But he said the carrier has not identified replacements for its roughly 20 757-300s – larger jets with 234 seats.

Boeing has hinted at developing a mid-market jet for years. In early 2020, amid the Max struggles, it shelved a project called the “New Mid-market Airplane”.

Epstein and other analysts worry Boeing might have trouble executing such a project. He notes that nearly all the company's current programmes – the Max, 787, 777X and 767-based KC-46 military tanker – have suffered recent problems. Also, Boeing reportedly let go a host of senior managers and engineers amid the industry downturn.

“Capital is easy. Engineering is not,” Epstein says. “It's really concerning.”

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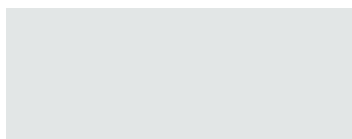
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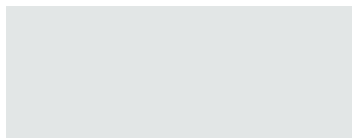
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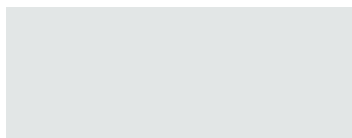
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