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Embraer: is it time for a 'triple' with Boeing and Airbus?

It is said that she intends to face the Boeing/Airbus duopoly, with an aircraft equivalent to the 737 Max and the A320 Neo. Understand the full panorama

by . . . by **Alexandre Versignassi** 10 May 2024 11 min



He took the *Wall Street Journal* on May 1. Embraer would be planning a quantum leap: to manufacture a larger commercial aircraft, capable of competing in the market with the best sellers Boeing 737 and Airbus A320 – which would be a step towards transforming the current aviation duopoly into a 'trypoly', with one foot in Seattle, one in Toulouse and another in São José dos Campos.

The news was there: according to sources linked to Embraer, the company of São José dos Campos conducted an internal evaluation process to understand if it had the ability to develop a plane of this segment. And the conclusion was that, yes, no doubt. In addition, they would be seeking partners to finance the venture, including Saudi Arabia's sovereign wealth fund.

Embraer has denied it. He told the WSJ, through a spokesman, that it "certainly has the ability to develop a new aircraft" but that it has no plans for a project of that wingspan – for now.

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On Tuesday (7), the company's CEO, Francisco Gomes Neto, reinforced: "We are in harvest season. Our focus is to sell and deliver the products we have today. We don't have a concrete plan to launch other large planes at this point."

Okay. Okay. However, the subject deserves a greater contextualization. Why could Embraer be interested in developing its "737"? That's what we'll see now.

E175-E2: the plane "forbidden"

"If I mention Brazil, what is the first thing that come to their heads?" asked physicist Neil de Grasse Tyson in a 2011 lecture. "Bikinis," says someone from the audience.

"Yes, I do. And football, maybe. This is the American view of Brazil. Oh, I get it. But this blinds you to the fact that they have a burgeoning aerospace industry." "Did you know that most of the

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planes that you use on regional flights, within the United States, were made and designed in Brazil?”

Tyson is talking about Embraer, of course. The company has spent nearly two decades without competitors to match in the world of regional jets, with its small and reliable E-Jets. But there is a less obvious part there.

Among the E-Jets, the one that is perhaps most fixed in the memory of the scientist is the E175, the most present at American airports. There were 746 units delivered in two decades, against 568 of the runner-up (the E190), and 191 of the third (the E170).

The E175 is a small commercial airliner with a capacity of up to 88 passengers – against 114 of the E190 and 78 of the E170, its smaller brother. In 20 years of activity, it has been shown to be the number that the U.S. market for regional flights pants.



E175 first generation: 756 units delivered, and counting. Photo by Adobe Stock

In 2013, Embraer took a step forward: it launched the E2 family, the new generation of E-Jets. His greatest predicate is fuel economy. If the “old” already stood out in this harvest, the new ones proved to be up to 25% more efficient.

The expectation with E175-E2 sales were, of course, large. But the new generation of the bestseller did not succeed. It's not that she sold little. She sold zero. No airline has ever ordered an E175-E2.

It was not a problem of the airplane, considered simply better than the first generation. But the American Laws. There is an agreement between airlines and pilot unions, called a “*scope clause*”.

It determines that the maximum take-off weight (MTOW) cannot exceed 39 tons on regional

flights between certain cities.

It is not a safety rule, but a protectionist determination of the unions. Pilots of larger aircraft earn more than pilots of smaller aircraft. If the concept of "regional aircraft" were without a clear limit, such as that of the weight, the airlines would be tempted to replace some flights made with airplanes such as the 737 by flights on smaller aircraft on various routes. And this would reduce the labor market of the highest paid drivers.

Well, well. The MTOW of the E175, the first generation, is 38.7 tons. As it is within the limit of the scope clause, it can fly on any short route. Hence its success among the American airlines.

But E175-E2, the second generation, not. His MTOW is 44.5 tons. "Culpa" of the engines. Intuitively, the most economical engines are heavier. This left the new E175 off the limits of the scope clause, making it a less interesting aircraft than the first generation one.

The clause is revised from time to time. But so far union interest has prevailed over economic (and environmental) interest: the generation that uses the least fuel has run out of market – in the most important market in the galaxy. The result: zero sales.

A220: the stone in the middle of the way

While it had to deal with the failure of the E175-E2, Embraer found itself in trouble in the parrrudas regional aircraft market.

The other new-generation aircraft were the E190-E2, now for up to 130 passengers, and the E195-E2 – the company's largest aircraft, capable of housing up to 132 seats and with 4,900 km of range. And, like the E175-E2, 25% more fuel efficient than previous versions.

But in the middle of the road a stone appeared. This little bell here from the photo:



Airbus A220, the "long-range regional" that took the E2 generation market. Photo by Adobe Stock

Embraer's major competitor in the regional jet market was the Bombardier Canada. Tired of eating dust from the manufacturer of São José dos Campos, she had started an ambitious project: an aircraft line with a capacity of up to 160 passengers and a range of 6,300 km.

It is less than a 737 (up to 204 passengers and capable of flying 7,100 km non-stop). But the autonomy part was a strong card. The distance between New York and London, for example, is 5,600 km. That is: the new Bombardier line, even being small planes, would be able to make intercontinental routes along the hectic lines between the USA and Europe – a commercial asset that Embraer aircraft do not offer.

This new line was the CSeries – made up of two jets, the CS100 and the CS300. But the venture proved to be a bigger step than the legs of the Canadian manufacturer. After spending \$6 billion on the development of C/Series, Bombardier found itself without funds. The result: she was forced to sell the project to Airbus.

The European giant took C/Series, rebranded it family of planes such as A220 (following its standard – A320, A350...) and went to the market. It's more than right.

JetBlue, Embraer's loyal U.S. customer, decided to change its fleet of 63 Embraer E190s for the A220. David Neeleman, the American founder of Azul and another assiduous client of the Brazilian, also became enamored for the competing aircraft.

At the time, 2019, Neeleman was launching a new U.S. air, Breeze. And decided that the A220 would be the base of its fleet, to the detriment of Embraer. Asked about the reason, on the American podcast AirInsight, he replied: "Ofnomy. That is the reason number 1. We are very happy at Azul with the E-Jets, and will be the launch customers of the E195-E2 – but he does not make intercontinental flights."

Airbus' success with the assimilation of Bombardier, by the way, inspired Boeing to try the same with Embraer – in that negotiation that went backwards in 2020.

Fact is that, from customer to customer, the A220 was gaining ground. There have been 914 orders to date, with 326 deliveries. Meanwhile, Embraer's E2 line adds much less: 306 orders, with 112 deliveries.



E195-E2, Embraer's largest airplane - for now. Photo: Adobe Stock Photo

The season of harvest

None of this means that Embraer has lost relevance. E2 series aircraft are more efficient than the A220 on short routes and with lower passenger demand. Under these circumstances, it is cheaper for an airline to fly with a lighter aircraft, which uses less fuel. Neeleman's talk about Blue.

And while the E175-E2 expects a change in the scope clause, the previous generation E175 continues to sell well, thank you. In 1Q24 even American Airlines ordered 90 of them, bringing the historical numbers of the aircraft to 943 orders and 756 deliveries. This gives 187 units in backlog – that is, units ordered, but not yet manufactured, that guarantee the financial flow.

Embraer's total backlog even grew 21% in the first quarter of 2024, compared to 1Q23 – from US\$ 8.4 billion to US\$ 11.1 billion.

The other arms of the company are also solid. In business aviation, the Phenom 300 has been following for 12 years as a leader in its category – that of light jets. In the military part, the C-390 Millennium, a freighter born to debunking the traditional Lockheed Martin Hercules.

He continues to amaze clients among the armed forces of various countries. In the second half of last year, the Netherlands, Austria, the Czech Republic and South Korea joined Hungary, Portugal and Brazil among those who decided to use the C-390. And it's a project as new, by aviation standards as the E2 series – it made its maiden flight in 2015.

This is why the CEO of Embraer talks about in "harvest time". But at some point the company will have to plant something new. And that brings us back to speculation about the development of a larger aircraft.



C-390 Millennium, the military freighter made to debunking the Hercules, from Lockheed Photo: Adobe Stock Photo

The size of the risk

The jets with a capacity of 200 passengers and autonomy for not-so long intercontinental trips are the ones that sell the most in the world – more than the regional ones, of course, and more than the big ones (the “double squalor”, with absurd autonomy and capacity).

The 737 Max, the latest version of Boeing’s classic, has a backlog of 4,813 units. The A320 Neo, of a staggering 7,171.

It’s not just the volume of sales. The numbers above show another factor that could stimulate the enterprise. The image crisis of Boeing, which began with the fatal accidents of two 737 Max, in 2018 and 2019, remains firm. And it has caused her to lose ground to Airbus in the last many years.

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There is a clear vacuum in the market, and Airbus has been surfing alone there. For a company like Embraer, technically capable of producing an aircraft equal to the A320 Neo, it is natural to consider the possibility. The very success of the C-390, a complex and large aircraft, helps to accredit the Brazilian company.

One only need to remember that aircraft manufacturing is not a trivial activity. Away from that. Creating an aircraft from scratch can take tens of billions of dollars, take tens of years, and of course simply give in water.

Airbus has experienced this recently. It spent \$25 billion to develop the A380 – a marvel of the engineering history, with two floors and capacity for up to 853 passengers (although the typical configuration, with executive, bar, hotel room and bartered it, decreased that number to 523).

Well, the European spent its billions, debuted the aircraft in 2005, and had to take it from production due to lack of customers early, in 2021 – without having recovered the investment.

Airbus, however, has a bullet to hold nababescas losses. Embraer plays in another division. Her revenue in 2023 was \$5 billion. Airbus' \$70 billion. Boeing, even with all the problems it carries on its back, \$77 billion. To take the risk of creating a competitor for Max and Neo, then Embraer would need heavyweight partners.

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