



HOW AIRBUS STUMBLERD IN PURSUIT OF SHORTCUT TO SINGLE-AISLE GLORY

News / Manufacturer



Glitches afflicting a new turbine designed to power Airbus Group SE's revamped A320 jetliner have left the European company facing an anxious few months as it waits on engine maker Pratt & Whitney to find a fix.

Qatar Airways is refusing to take the aircraft, named the A320neo for "new engine option," until the issue is resolved, and could even halt a 50-plane order, Chief Executive Officer Akbar Al Baker said Tuesday. **Deutsche Lufthansa AG** (ETR:LHA) won't fly the jet beyond the reach of its engineers and **Norwegian Air Shuttle ASA** (STO:NASO) said last week it expects delays to four Neos due this year.

Airbus's (EPA:AIR) own delivery data suggests it missed handing over as many as 10 A320s in the first quarter, according to Agency Partners analysts Nick Cunningham and Sash Tusa, though the Toulouse, France-based company has pledged to uphold annual rates by boosting Neo

production in the second half.

Fabrice Bregier, who heads Airbus's jetliner arm, told Bloomberg last week that the setbacks are just "teething issues." The reality of the situation should become clearer Thursday, when the planemaker reports three-month earnings.

The alchemy of reviving an older model

Things had started to take a picture of Airbus, with the alchemy of reviving a 25-year-old Airbus A320neo the seemingly simple expedient of an engine makeover sparking a rush of deals that has made the Neo its record seller with 4,500 orders. The plan saved the bulk of the \$10 billion or more needed for a clean-paper design, while reducing to bit-part status **Bombardier Inc.'s** (TSX:BBD) new CSeries model, with which the Montreal company is entering the single- aisle market.

Airbus's great rival **Boeing Co.** (NYSE:BA) had been leaning toward an all-new aircraft to replace its venerable 737 and was also caught on the hop, finally committing to a revamp of its own, the Max, a year later. By then, first-mover advantage had been lost, and Airbus won a 60 percent share of new single-aisle sales.

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Offering Pratt's Geared Turbofan on the A320neo, alongside the less radical Leap turbine from the CFM International venture of **General Electric Co.** (NYSE:GE) and France's **Safran SA** (EPA:SAF) will solely power the Max, had seemed a good bet.

Both engines promised a 16 percent fuel saving, and creating competition between them seemed a sound way of securing those gains. The GTF, which cost Pratt \$10 billion, was also a novel model, using gears to boost efficiency by allowing fan blades to move slower while still shifting large volumes of air.

Bombardier CSeries also uses Pratt engine

Bombardier — for the CSeries — **Embraer SA** (BVMF:EMBR), Russia's **Irkut** (MCX:IRKT) and **Mitsubishi** of Japan (TYO:8058) also elected to commission versions of the Pratt engine for their planes.

Yet as the first A320neos were being readied for service entry late last year, word emerged from Pratt that the variant built for the Airbus model was experiencing cooling issues in testing that might require longer start times to be employed in order to prevent blade tips on compressor rotors from rubbing.

So-called spool-up times have been set at 350 seconds in hot conditions like those in the Middle East, rather than the usual 150 seconds. That's enough to affect the number of flights an airline can offer in a day, and its revenue.

Qatar Airways, slated as the first operator, refused outright to take an aircraft due in December, with Al Baker giving Pratt until mid-year to provide a fix. In this week's broadside, the CEO said he could take older 737s as a stopgap and even swap his entire order for the Max once the Boeing jet becomes available.

Lufthansa (ETR:LHA) has two planes, but limits them to destinations its technicians can easily reach, potentially ruling out the acceptance of three more A320neos it's due this year. Indian discount carrier Indigo also has three aircraft.

Greg Hayes, CEO of Pratt parent **United Technologies Corp.** (NYSE:UTX), says a hardware fix

in late February has stiffened internal components, while software upgrades have pared error messages associated with the cooling problem by 80 percent.

Pratt says further enhancements will cut start times to acceptable levels, though there may be other issues to address, including an over-heating hydraulic system unrelated to the engines, according to Qatar Air.

“At the end of the day, we’re prepared to walk away,” Al Baker said. “We cannot be at the mercy of any aircraft manufacturer.”

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