AIRBUS TO LEVEL PLAYING FIELD WITH BOEING WITH NEW FINANCING PARTNER

News / Manufacturer



With a production plant in the US, Airbus customers will have the added facility of financing facilities through the US Export-Import Bank.

In the form of US Export-Import Bank, Airbus Group SE will take a new financing ally on board, reports Wall Street Journal. The publication highlights financing from an “unlikely source” upon delivery of the first A320 jet from the company's new facility in Mobile, Alabama on Monday. The aircraft manufacturer has invested about $600 million in its new production facility already which is expected to produce four of the single-aisle jets by the end of 2017.

JetBlue Airways Corp and American Airlines Group Inc. will buy the first delivery from Airbus’ facility in Mobile. However, both airlines are restricted from receiving support from the European export-credit over global trade rules which leaves the US Export-Import Bank and the US Government as the only viable option.

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For the time being, all planes manufactured at the Mobile Airbus facility are for North American customers; however, the plane manufacturer has not ruled out the possibility of using the facility for international customers as well. An Airbus spokesman stated: “If we were to sell a Mobile-assembled aircraft to an international carrier, it could be eligible for some level of Exim financing.” Chairman Export-Import Bank, Fred Hochberg said: “If an Airbus plane from Mobile had 50% US content, we’d finance 50%.”

Boeing’s re-Authorization of Ex-Im Bank

The Export-Import bank has helped finance numerous Boeing Co. jets over the past years. Last year, Boeing CEO Dennis Muilenburg talked about loss of business to Airbus, should it opt out of Export-Import Bank. Without the bank, Mr. Muilenburg expects the company to lose jobs, as it loses competitiveness in the airline business. Airbus has used similar European banks to help bolster sales; however, with a production facility in the US, it will allow some of its customers to utilize financing facilities provided by the US Export-Import Bank for the very first time.

The bank facilitates foreign buyers to purchase goods produced in the United States. According to the bank's president, Boeing’s reauthorization of the bank could help arch-rival Airbus, since any non-US buyer may be able to receive help from the US Export-Import Bank.

Airbus sets up production facility in Boeing’s backyard

The establishment of a production facility in the US is a big move for Airbus as it shall help the company significantly boost its presence in the American market. The aircraft manufacturer has been betting on its production facility to amass orders at a time when it has managed just total 10 net-orders in the first quarter, compared to Boeing’s 122 in the same period.

However, Airbus has also recently announced a reduction in its orders guidance for the year. The airplane manufacture now expects to receive a total of 700 orders this year, more than 400 orders less than last year. What is alarming is that the announcement came just as the aircraft manufacturer is about to deliver its first set of planes from its new American production plant.

However, a Boeing spokesman, in regards to Airbus’ use of the Export-Import Bank, said: “It’s premature to speculate on the hypothetical.” Boeing has long battled to keep the Export-Import bank running as it provided the former with a competitive edge over Airbus. Nonetheless, despite the bank’s reopening in December, Boeing’s customers have still been facing obstacles in receiving financing of more than $10 million with prolonged political fights.

Export-Import Bank likely to face criticism

Opponents of the Export-Import Bank contend that any support to fund Airbus’ customers could backfire for the bank, since the bank was originally formed to support smaller US businesses. According to a recent report by the Wall Street Journal, during the 2008 financial crisis the bank supported as much as 30% of the total plane deliveries in the US. However, this amount has fallen to less than 10% by now, with commercial funding becoming more easily available. In 2015, half of its total business was from the aerospace industry, with Mr. Hochberg steering it into other areas including rocket launches, satellites, and business jets.

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The bank has also been on the look out for other avenues for expansion. Ex-Im Bank is in talks with Gogo Inc. to expand into aircraft services. Gogo's treasurer, Varvara Alva said: "An Ex-Im guarantee goes a long way."

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