The global civil aviation industry is currently dominated by two major powers in the form of Boeing and Airbus. The market has been characterized as a duopoly. However, this status quo is by no means immutable. Over the coming decades, growing demand might lead to other companies making their mark on the global aviation market. High time to look at some of the past, current and future developments within the industry.

TEXT Sushant Gupta, Student Aerospace Engineering, Editor Leonardo Times

THE TIMES THEY ARE A-CHANGIN’

In the light of this year’s Paris Air Show in June, I wanted to take a look at the commercial aviation industry. I read up on a few articles and found that while there are many promising companies coming up in the aviation industry, by and large, the biggest competition is still amongst the American Boeing and the European Airbus. The duopoly of Airbus and Boeing has been eminent since the early 90s. Both companies have rather different origins. So, I decided I would attempt a closer look at this “duopoly” and find out similarities and differences in the strategies of these two aviation manufacturers.

Airbus was born out of long collaboration of different European manufacturers and is an amalgam of European companies including Aerospatiale (France), Deutsche Airbus (Germany), Hawker Siddeley (UK), Fokker (Netherlands) and Construcciones Aeronáuticas SA (Spain), with initial efforts dating back to 1967. Essentially, the European manufacturers were innovative and successful but had small production runs. They understood that American domination of the aviation industry was due to air transport being the favorable mode of transport due to the sheer size of the American landmass. For Europeans, the only way to compete effectively with the American manufacturers was collaboration. Airbus today produces almost half of the world’s jet airliners and is a formidable player in the industry.

Boeing, on the other hand, has a very different history, being founded in 1916 by William Boeing. The erstwhile Boeing Airplane Company started out by obtaining orders from the US Navy in 1917, after the US joined the First World War. Thereafter, Boeing grew in leaps and bounds with the growth in American economy, branching out into commercial, defense and other areas. Boeing, of course boasts the largest building by volume in the world at Everett, Washington, which is an airplane assembly facility. Boeing has also acquired many companies over the years, such as its competitors McDonnell Douglas and North American Aviation. Boeing is one of the largest aircraft manufacturers, as well as the second largest aerospace and defense contractor in the world.

Since the 1990s, there has been fierce competition amongst the two rivals Airbus and Boeing. Their competition has been characterized as a duopoly in the aviation industry, arising from the formation of Airbus and the merger of Boeing and McDonnell Douglas. Both Airbus and Boeing have bagged upwards of 7000 orders in the last ten years. The commercial airline industry, which has been described as one of the most dog-eat-dog enterprises in the world has seen both of them play musical chairs at the top. Other competitors like Lockheed Martin, Conair, British Aerospace, Dornier and Fokker have not been able to keep their place and have dropped out of the race to lower levels in the aircraft food chain.

Both Airbus and Boeing have been accused by each other and by others of being recipients of unfair government aid and support. The United States and the
European Union have traded accusations of unfair tax breaks and subsidies that may help in the winning of contracts, like in the case of a 10 billion dollar order resulting from Easyjet's decision of switching to the Airbus A320 neo from the Boeing 737.

Both companies have a wide product range and have responded to the market needs by slightly different models like A320 and B737, A380 and 747-8, and the most recent duo A350 and B787 Dreamliner. The latter comparison also shows the technological competition, with both of them claiming reduced weight due to utilizing space-age composite materials. Both claim to be more fuel-efficient than the other with values ranging 2.6-2.9 liters of fuel per passenger per 100km. The aviation giants have also claimed to reduce engine and cabin noise as compared to previous generations of aircraft.

Most of the world's airlines are government owned and the manufacturers have made use of this fact, as political considerations need to be taken into account in orders, along the purely commercial ones. Boeing has been subcontracting to Mitsubishi and Kawasaki in Japan, thereby largely dominating the Japanese market. Airbus has been limited as it is a European consortium and is mainly limited to production in four European stakeholder countries. Despite this, an Airbus final assembly plant has been operating in China with an eye on the booming Chinese market.

Internationally, the changes in currency values influence the profitability of the companies as well. Boeing and Airbus have costs in dollars and euros respectively. With dollar appreciation against euro, cost of production is tilted in favor of Airbus, while the opposite applied for depreciation. Airbus also offers some of its customers the option to pay in other international currencies while Boeing largely prefers dollars.

There have been developments going on in the manufacturers apart from the so-called duopoly. New demand for aircraft is expected to come in for narrow body aircraft and a major part of this demand is expected to come from Asia. China and Russia had a huge presence in the Paris Air Show. Chinese manufacturer Comac has tied up with Canadian Bombardier to produce its C919 aircraft. The C919 is a single aisle aircraft offering 150-170 seats. Comac will draw upon Bombardier’s C series and hopes to secure orders from Chinese domestic airlines, to then rely on this success to get orders internationally. Ryanair is also a party in development of C919, as it hopes to replace its current B737’s. Bombardier, in turn hopes to secure its place in the projected 2200 civil aircraft market by 2020 in China. Since Comac is state owned and China has great ambitions in manufacturing aircraft, this development maybe significant.

Russia too had a significant presence at Le Bourget, as more than fifty Russian companies under the banner of United Aircraft Corporation were present in Paris. Russia has a deep desire to be counted among the top and the government is pumping 40 billion dollars into the industry over the next 20 years. The Russians have developed the Irkut MS-21, which is a short-medium range jet airliner with capacity of 150-212 seats. It has about 240 orders, largely domestic.

Apart from the Russians and the Chinese, the Brazilian company Embraer has been a longer active player in the small jet market as well with their Embraer Regional Jet series and Embraer E-Jet family with capacities into the 110-seat range.

History shows that market incumbents can be toppled, but it does take a long time. With growth in the respective domestic and adjacent markets, we just might see an increased jostling for space in the jet airline market. This may turn into a formidable challenge to the established duopoly at the top. The Boeing chief executive remarked back in 2010 that the cozy world of just two huge aircraft manufacturers might be coming to an end. As Bob Dylan said: the times they are a-changin’.

References

1 Newhouse, John; Boeing versus Airbus