

## INVESTORS' AND OPERATORS' POLL

It was close competition between the big two major manufacturers for the 2005 *Airfinance Journal* Investors' and Operators' Poll, but this year Boeing is the victor.

# THE REAL BATTLEGROUND

In a year of World Trade Organization disputes, stunning airshow orders and price wars, it is no wonder that the Investors' and Operators' Poll is taken very seriously by manufacturers, particularly Boeing and Airbus.

The annual poll has become a new battleground for manufacturers which want justification that their products are the best. For investors and operators to have their say. This year Boeing has topped the rankings with the 737-800, and has dominated many of the categories with aircraft such as the 777-200ER and the new 787.

INVESTORS AND OPERATORS		
Overall rankings		Score (All scores are out of 10)
1.	737-800	8.5
=2.	777-300ER	8
=2.	737-700	8
4.	777-200ER	7.9
5.	A320	7.9
6.	737-900	7.7
7.	A319	7.6
8.	737-300	7.6
9.	A330-300	7.5
10.	737-400	7.3
11.	A330-200	7.2
12.	747-400	7
13.	767-200ER	6.7
14.	767-300ER	6.6
15.	757-200	6.5
16.	A321	6.4
17.	A340-300	5.6
18.	737-600	5.6
19.	A340-600	5
20.	717-200	4.3
21.	A318	4
22.	A340-500	3.5
23.	A300-600	2.8
24.	A340-200	2.3
25.	A310	1.6

As always, the battle between the narrowbodies was close, but Boeing prevailed in the overall rankings. The 737-800 came out on top overall, and topped the Investors' Poll. The A320 came second in the Operators' Poll ahead of the 737-800, which came third.

These popular narrowbodies provoked some interesting comments. "Narrowbodies are obviously easier to finance/remarket; widebodies are treated with far more caution," says one investor. "A320s are hurt because of the split engine," says another. Operators still have favourable comments about the A320 family. "The A319, A320, A321 is the best aircraft family for mid-range operators with different capacity needs on different routes," says one operator.

Boeing mid-sized aircraft also performed well. The 777-200ER came first in the Operators' Poll and the 777-300ER came second in the Investors' Poll and overall.

Airbus' mid-sized aircraft, by comparison, did not perform as well. The A330-300 was placed ninth overall – fourth in the Operators' Poll and eighth in the Investors' Poll. The 767-200ER came 13th overall, whereas the A340-300 limped in at 17th place.

"The creation of the A350 is a tacit admission from Airbus that Boeing got it right with the 777 and they completely screwed up with the A340," says one operator.

The residual value of the A330 once the A350 is launched was also raised as a major concern. "Short-term demand will keep rentals for the 767-300ER relatively high, but the A330-200 is a much better aircraft – until the 787 and A350 come along. It will be interesting to see how Airbus continues to compete with the A330-200. Inevitably they will be forced to reduce the price," says one investor.

Other categories demonstrate the different aspects of each aircraft. The A320 topped the investor appeal category for investors, while for operators it was the 737-800 that was the most appealing.

Boeing aircraft topped remarketing appeal for both investors and operators. The 747-400 was voted the best for operational success by operators, while investors opted for the 777-300ER. This result is a fitting endorsement for the 747, which has been out of the limelight lately with the A380 on the way.

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"The 747-400 has suffered hugely in recent years but it is now enjoying a major resurgence in terms of demand and value," says an investor.

The 737-800 topped residual value in both categories.

Investors and operators have widely different perceptions of manufacturers' pricing. Operators generally think Airbus aircraft are better value for money, with the A330-300 topping that category, but the 777-300ER was voted the best value for money by investors.

"Boeing aircraft are more expensive than Airbus aircraft, but that does not mean that they are worth more. Boeing is more disciplined about price points," says one investor.

"Boeing is very difficult for buyers. Once you do a deal, from the point that the deposit is paid, Boeing spend huge effort increasing the final price the customer actually pays," says another investor.

There is also criticism for Airbus on pricing. "Airbus'

discounting suggests that its position is slipping," says an investor.

### New aircraft

The 787 provoked a surprisingly strong response in its favour, with 74% of voters saying they thought it would be the most successful new aircraft, compared with 11% for the A380, 8% for the ERJ-190 and just 6% for the A350.

"The A380 had better be a reasonable success. If investors are burned on the initial model, the upgrades may be a tough sell," says one investor.

Another investor points out that the new aircraft competition is a positive for airlines. "I have selected the 787 to be the most successful new aircraft largely because its maker needs it the most. Airbus has its attention spread over more than one new product, which inevitably will reduce the support for any of those products compared to the attention that Boeing has to give the 787. In any event, it is important for

### INVESTORS ONLY

#### Overall rankings

1.	737-800	8.5
2.	777-300ER	8.3
3.	737-700	8.1
4.	737-300	8
5.	A320	7.9
6.	777-200ER	7.8
7.	A319	7.7
8.	A330-300	7.2
9.	A330-200	7.1
10.	747-400	6.9
11.	767-200ER	6.7
12.	757-200	6.5
13.	767-300ER	6.3
14.	A321	6
15.	MD-11	6
16.	A340-300	5.6
17.	A340-600	5
18.	737-600	4.9
19.	A318	4
20.	A340-500	3.5
21.	717-200	3
22.	A300-600	2.8

#### Regional aircraft Top five

1.	Dash 8-300	9.6
2.	ATR 72	7.9
3.	ERJ-170	7.9
4.	CRJ 700	6.8
5.	CRJ900	6.2

Source: *Airfinance Journal*

#### Operational success top five

1.	777-300ER	9.1
2.	737-300	8.8
3.	737-800	8.7
4.	A320	8.6
5.	777-200ER	8.5

#### Investor appeal top five

1.	737-800	8.8
2.	737-700	8.2
3.	A320	8
4.	777-300ER	8
5.	A319	7.8

#### Remarketing potential top five

1.	737-800	8.7
2.	737-300	8.4
3.	737-700	8.1
4.	777-300ER	8
5.	A320	7.8

#### Residual value top five

1.	737-800	8.3
2.	777-300ER	8
3.	737-700	7.8
4.	777-200ER	7.5
5.	A320	7.4

#### Value for money top five

1.	777-300ER	8.4
2.	777-200ER	7.9
3.	737-800	7.8
4.	737-700	7.7
5.	737-300	7.6

## INVESTORS' AND OPERATORS' POLL

the airlines that both major airframe makers are successful, and that they remain in closely matched competition," says the investor.

"Airbus is more creative on the financing side, although Boeing is beginning to become more aggressive with the new 787 in terms of new financing ideas and structures. Airbus needs to be more proactive with investors in terms of residual value curves for the A380," says an investor.

Only one investor was really negative about the A380, saying: "The A380 will go down as the worst aircraft product ever produced".

### Manufacturers

The poll also asked for voters' opinions on manufacturers. While it was close, Boeing inched in front of Airbus, beating the European manufacturer in most categories.

Airbus did, however, score better in terms of financial support. "They have very different philosophies in product support and financial support to get their

airplane into a new operator. Airbus is generally stronger in supporting you if it is in their best interest," says one investor. "They are always quite good in determining what is in their best interest," he adds.

Many voters, anonymously, took the opportunity to express opinions about the two manufacturers: "Airbus still has a problem delivering spares," says one operator.

"Boeing took their eye off the commercial aircraft ball and are paying the price. Also US political positions are ruling out growth markets," says an investor.

"Airbus have a lot to learn from Boeing with regards to deliveries," says an investor.

Others were more positive about Airbus. "Airbus remains way ahead in terms of customer service and orientation," says an investor. Others expressed concerns about production levels and how involved the manufacturers should get.

"There is a real concern that both leading manufacturers are moving into over-supply and we will be into the same counter-cyclical imbalance in a few years' time," says one investor.

## OPERATORS ONLY

### Overall rankings

Score		
1.	777-200ER	9
2.	A320	8.4
3.	737-800	8.3
4.	A330-300	8.2
5.	A321	7.7
6.	A319	7.5
7.	A330-200	7.5
8.	737-700	7.3
=9.	737-600	7.2
=9.	747-400	7.2
11.	767-300ER	7
12.	737-300	6.5
13.	737-400	6.4
14.	757-200	6.3
15.	777-300ER	6.2
16.	717-200	5.7
17.	A340-300	3.6

### Regional aircraft top five

1.	ATR 72	8.1
2.	CRJ 100/200	7.8
3.	Dash 8-300	7.4
4.	Fokker 70	5
5.	Fokker 50	4.8

### Operational success top five

1.	747-400	9.2
=2.	777-200ER	9
=2.	737-700	9
4.	A330-300	8.6
5.	737-600	8.5

### Investor appeal top five

1.	A320	8.8
2.	777-200ER	8.6
3.	737-800	8.4
4.	A330-300	8.2
5.	A321	8

### Remarketing potential top five

1.	777-200ER	8.6
2.	737-800	8.4
3.	A320	8.2
4.	A330-300	8.2
5.	A321	7.5

### Residual value top five

1.	737-800	8.1
2.	777-200ER	8
3.	A320	7.9
4.	A321	7.5
5.	A330-300	7.4

### Value for money top five

1.	A330-300	8.6
=2.	737-800	8.5
=2.	A321	8.5
4.	A320	8.3
5.	777-200ER	8

Source: *Airfinance Journal*

## INVESTORS' AND OPERATORS' POLL

MANUFACTURER RANKINGS (Investors and operators)						
	Ease in Financing Products	Confidence in products	Financial support offered	Residual value Strategy	Product support	Total
Boeing	7.6	8	6	7	7.9	7.3
Airbus	7.4	7.9	7.4	6	7.4	7.2

REGIONAL MANUFACTURER RANKINGS (Investors and operators)						
	Ease in Financing Products	Confidence in products	Financial support offered	Residual value Strategy	Product support	Total
Bombardier	5	10	5	9.5	9.5	7.8
ATR	7.2	8.4	6.9	7.2	7.2	7.4
Embraer	6.5	9	6.5	6.5	7	7.1

ENGINE MANUFACTURER RANKINGS (Investors and operators)						
	Ease in Financing Products	Confidence in products	Financial support offered	Residual value Strategy	Product support	Total
GE	8.1	8.7	6.9	7.5	7.9	7.8
CFM	7.2	8.5	6.4	7.2	7.7	7.4
Rolls-Royce	7.2	7.7	7	7.2	7.3	7.3
IAE	7.3	7.6	6.7	6.8	7.5	7.2
Pratt & Whitney	6.5	7.6	6.3	6	7.9	6.9

"Manufacturers should build and sell aircraft. They should not be involved in leasing or trading their own products. They should never sell aircraft to themselves and report it as a sale," says another.

### Regional aircraft

Regional aircraft are attracting increasing attention in the poll. Embraers' ERJ-190 performed better in the new aircraft category than the A350, with 8% of votes.

"With the new 170/190 family of aircraft, Embraer have moved more into the manufacturing centre ground," says an investor.

There was good news for Bombardier – the Canadian manufacturer came top of the regional manufacturers, and the Dash 8-300 topped the overall regional rankings and the Investors' Poll regional rankings. The ATR 72,

Regional aircraft rankings (Investors and operators)		
1.	Dash 8-300	8.5
2.	ATR 72	8
3.	ERJ-170	7.9
4.	CRJ 700	7.6
5.	ATR 42	7.4
=6.	CRJ 100/200	6.2
=6.	CRJ 900	6.2
8.	Fokker 100	5.5
9.	Fokker	705
10.	Dash 8-400	4.8
11.	Fokker 50	4.8
12.	Dash 8-100	4

which has seen a resurgence in orders this year, has done well. It came top for operators and second overall and in the Investors' Poll.

"The ATR is an excellent product, with an excellent remarketing value, especially due to its cargo conversion capability," says an operator.

With turboprops being more fuel-efficient, many small airlines are looking more closely at the ATR. "They are good aircraft especially for small airlines," says one operator.

### Engine manufacturers

GE slipped ahead of CFM to top of the engines poll – and it was ahead in every category. However, it was not all negative for CFM. "The CFMI product range continues to be the benchmark for the core narrowbody market place," says one investor. There was also praise for IAE, which finished fourth. "CFM is not at the races and is being out-muscled by IAE at every stage," says an investor. The Investors' and Operators' Poll continues to be a test of the opinions of those who operate and invest in aircraft. With the ongoing race for orders, it will continue to be a real test of what investors and operators really think.

### Methodology

*Airfinance Journal* contacted investors and operators via email and through our daily newsletter, Airfive. Respondents were asked to rate aircraft types according to various criteria, as well as answer questions on new aircraft, manufacturers and engine manufacturers. Results were then averaged to produce scores out of 10. ■