

Boeing Vs. Airbus

Market Background

American Enterprise Institute WTO Panel

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Vice President, Analysis

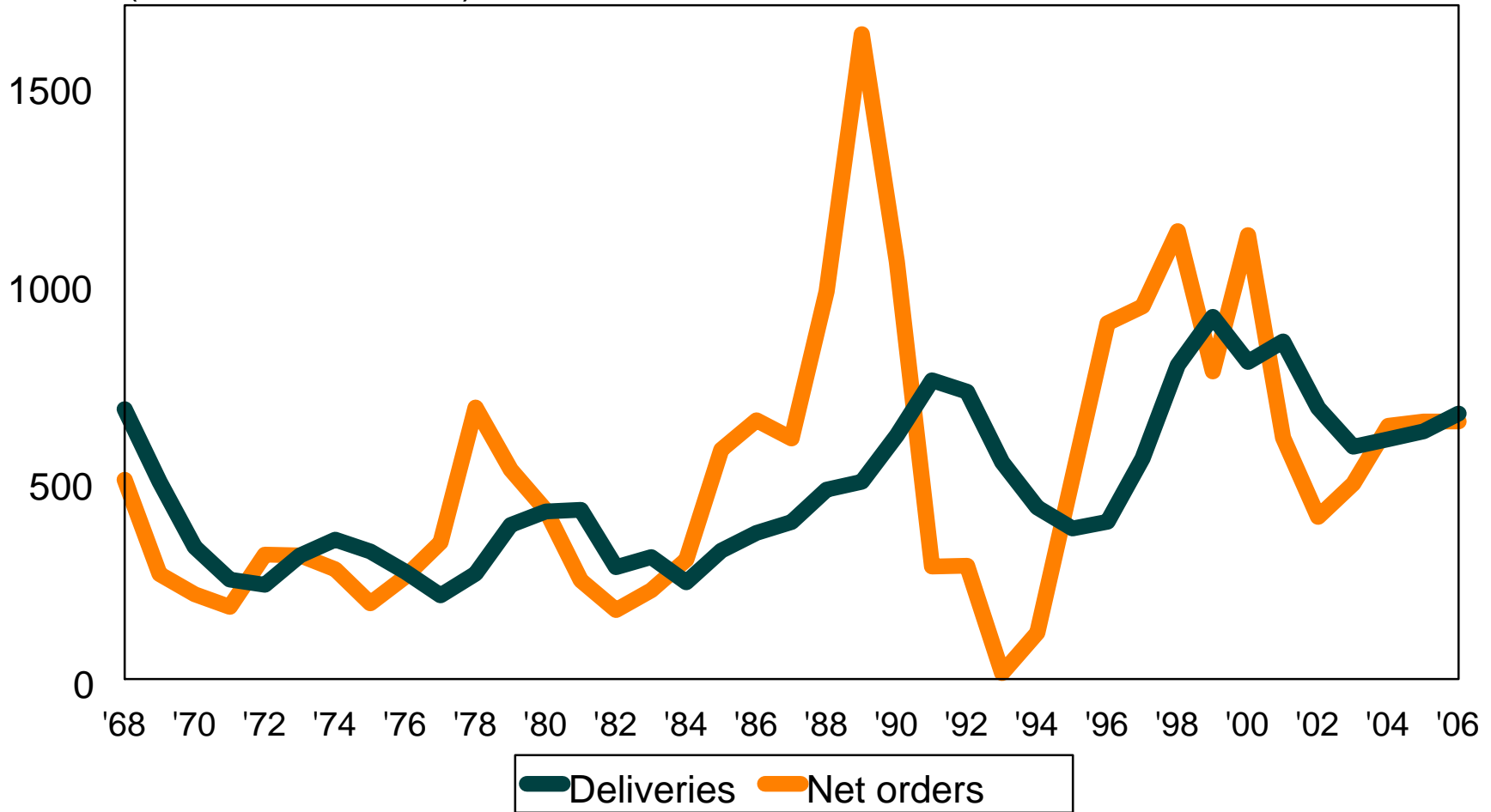
Teal Group Corporation

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Historical Jetliner Orders And Deliveries

The End Of An Extended Boom Cycle

(Number of aircraft)



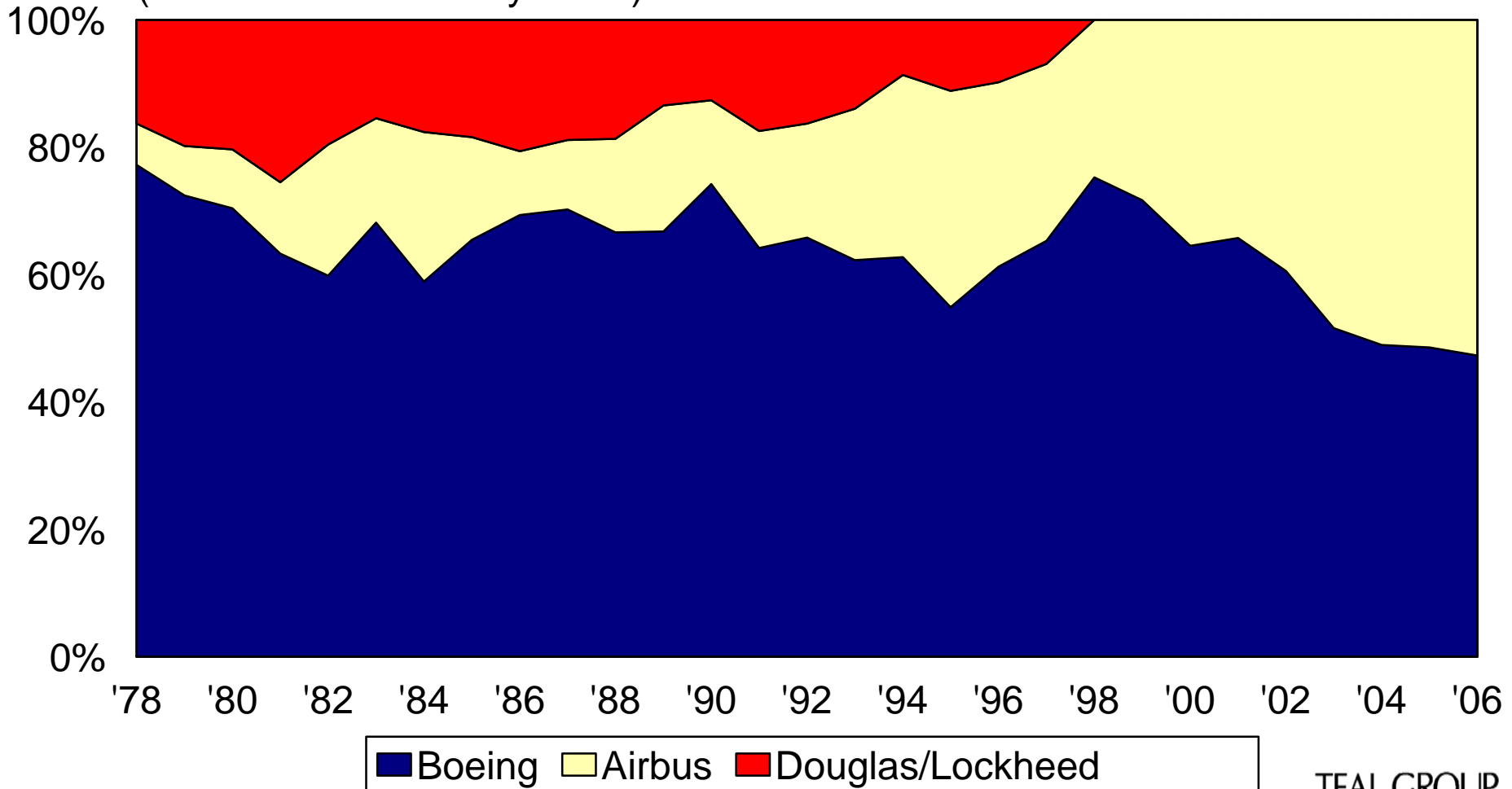
All Airbus and Boeing aircraft



Jetliner Market Shares

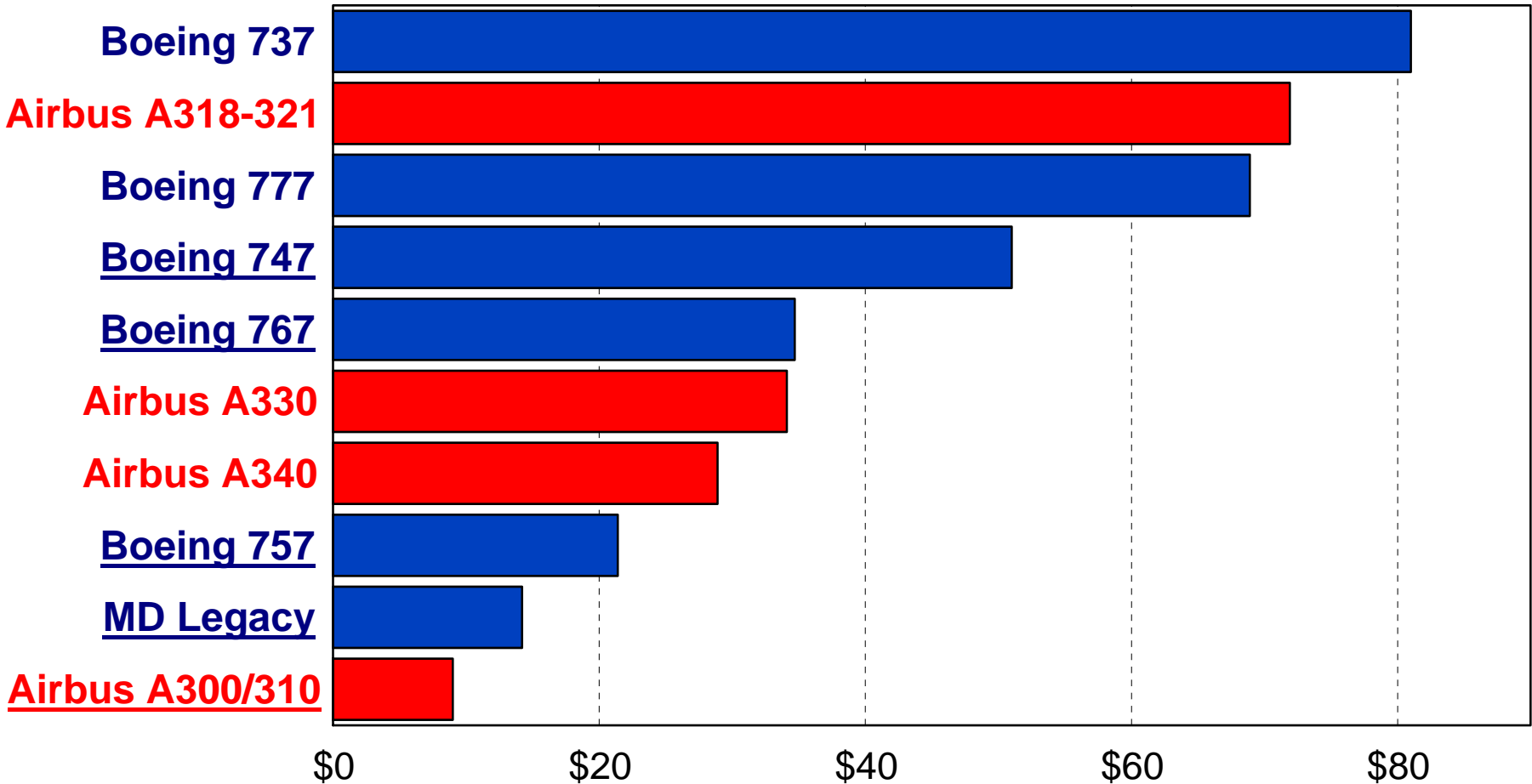
Serious Boeing Erosion

(Share of deliveries by value)



Can Boeing's "Simpler Product Line" Succeed?

Cumulative '05\$ Value Of Deliveries - 1995-2004

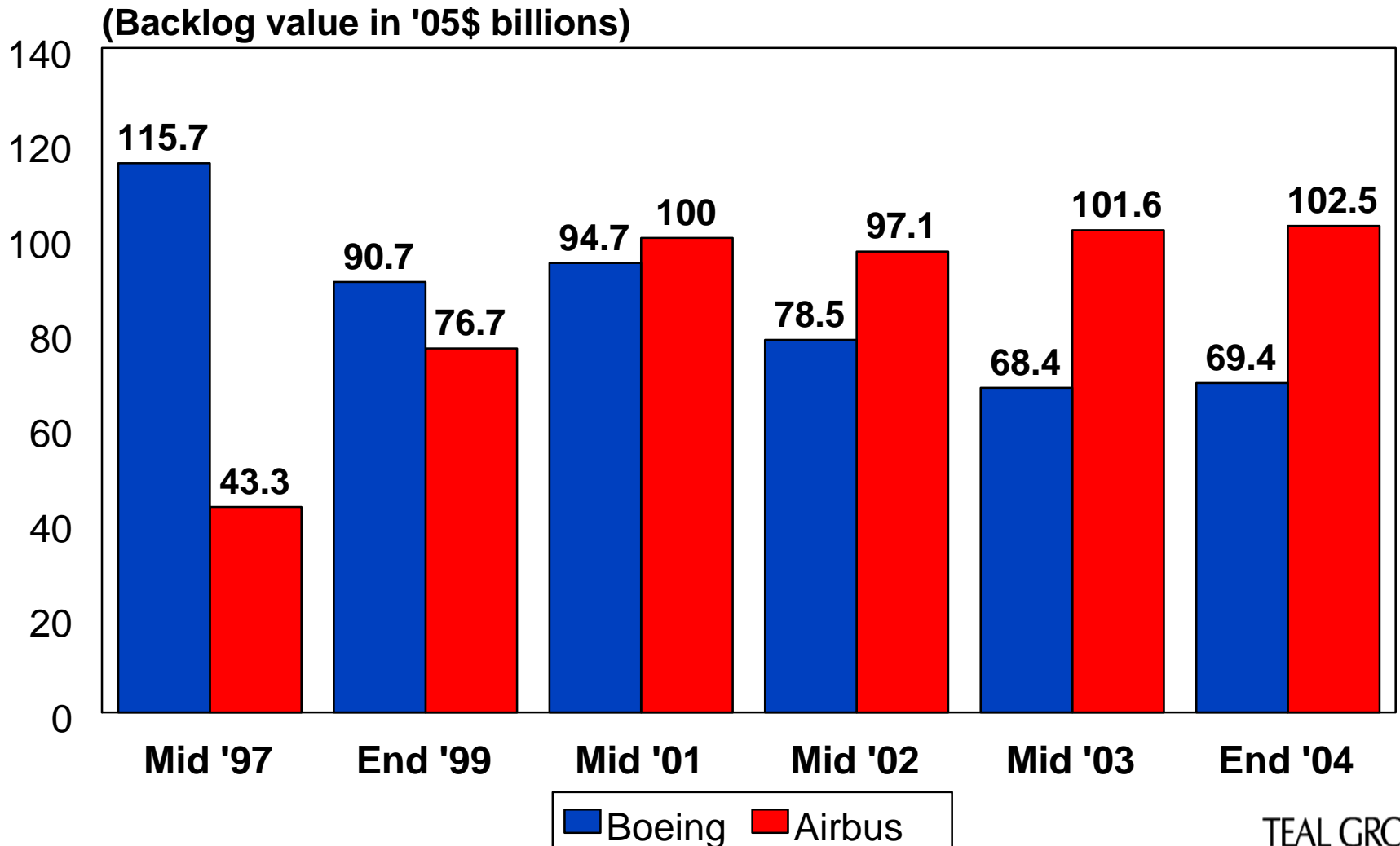


Underlined programs are dead, dying, or endangered.



Comparative Backlog Values

Airbus Growth Since Boeing-MDC Merger; 787 Stops Trend



New Jetliner Products

- Arriving in last five years
 - Airbus: A318 (minor derivative), A340-500/600 (major derivative).
 - Boeing: 767-400ER (minor derivative).
- Arriving in next five years
 - Airbus: A380 (new, 2006), A350 (major derivative, 2010).
 - Boeing: 787 (new, 2008).

Jetliner Development And Market Share

- **In last decade, Airbus invested more in new products than Boeing.**
 - **Primary cause of market share shift.**
- **Government Launch Aid is a major factor, but not the only one.**
 - **Most other factors equal (including defense contracts). But corporate structure a key difference.**

More Than Just Subsidies: Big Corporate Identity Differences

Boeing

- **Vulnerable to equities, capital markets.**
- **Profit, shareholder returns first.**
- **Short term view; reluctant to make long term investments**
- **Extreme sensitivity to risk, especially with product launches.**

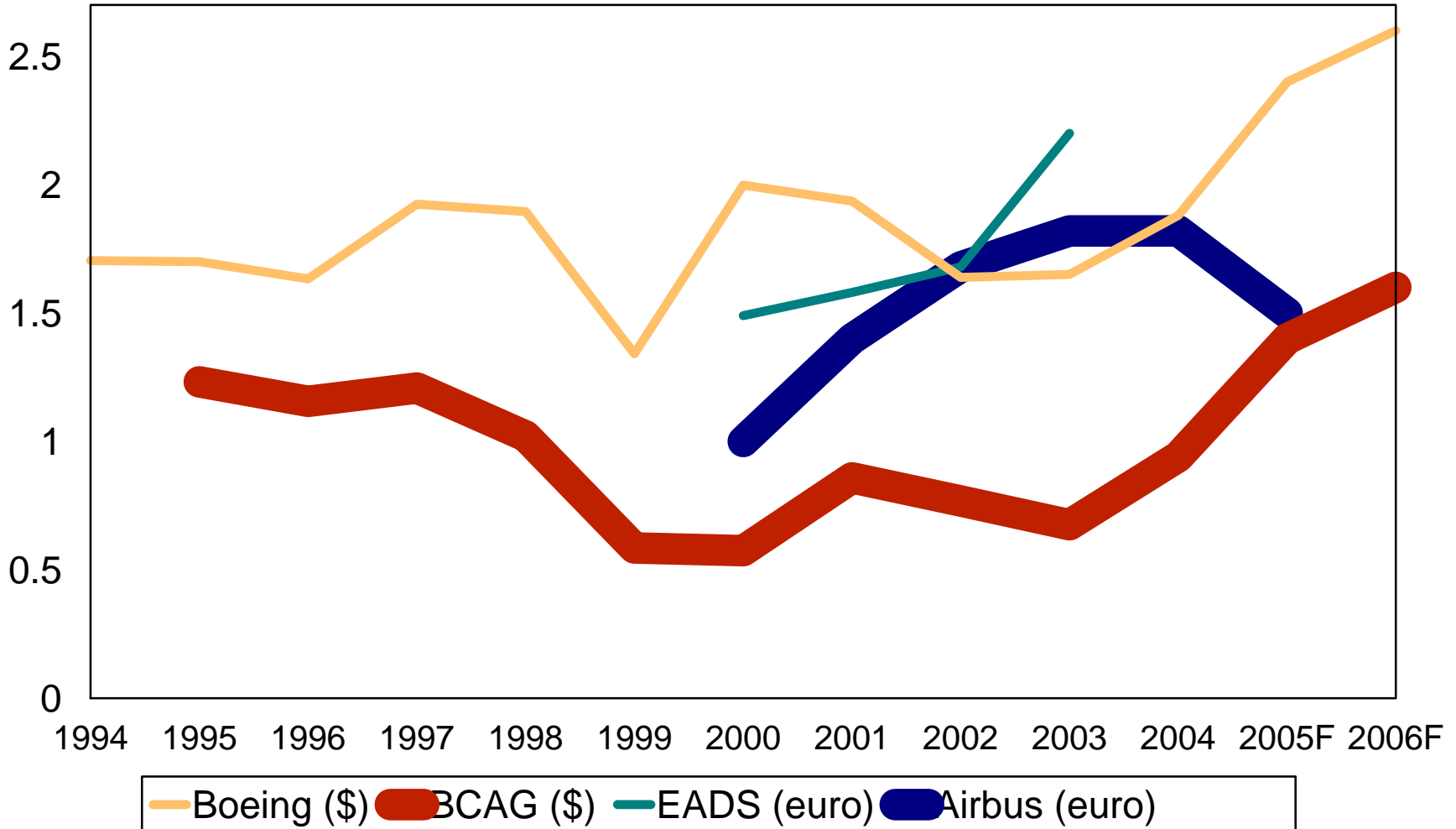
Airbus/EADS

- **Some protection from markets.**
- **Business volume, market share first.**
- **Long term view; willingness to invest in future.**
- **Relative insulation from risk, relatively easy product launches.**

Boeing And Airbus IR&D Funding

Boeing's Product Development Holiday

(Then-Year Billions)



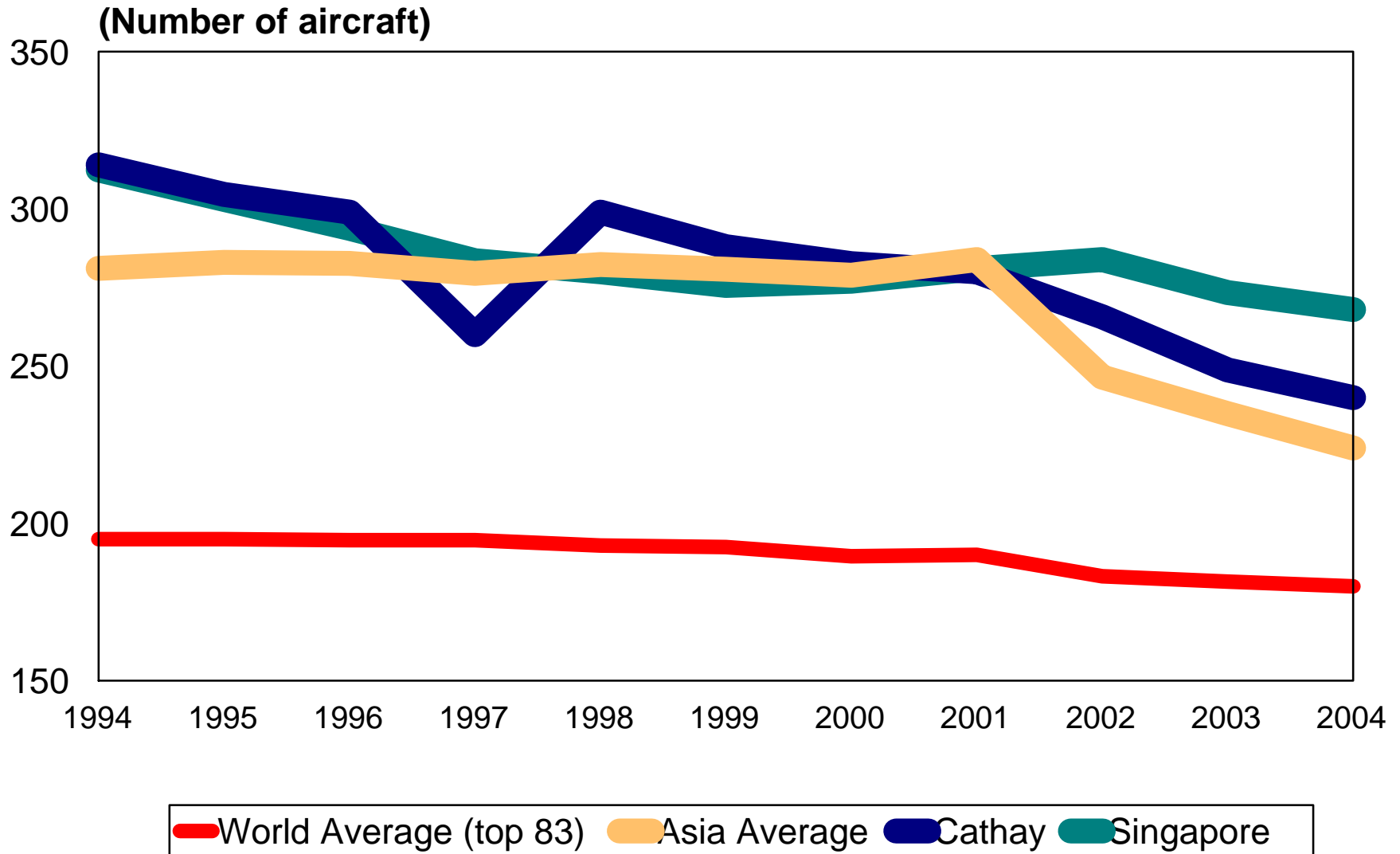
Source: Company reports



Product Strategies And Company Posture

- **Airbus's biggest investment, the A380, does not have a strong market.**
- **787 is Boeing's last chance for a jetliner renaissance.**
 - **Strong market. Technical, funding risks.**
- **Airbus is responding with the A350.**
 - **Less promising, but less costly.**
- **Balancing act: launch A350 pre-secondary EADS privatization.**

Average Number Of Seats Per Aircraft



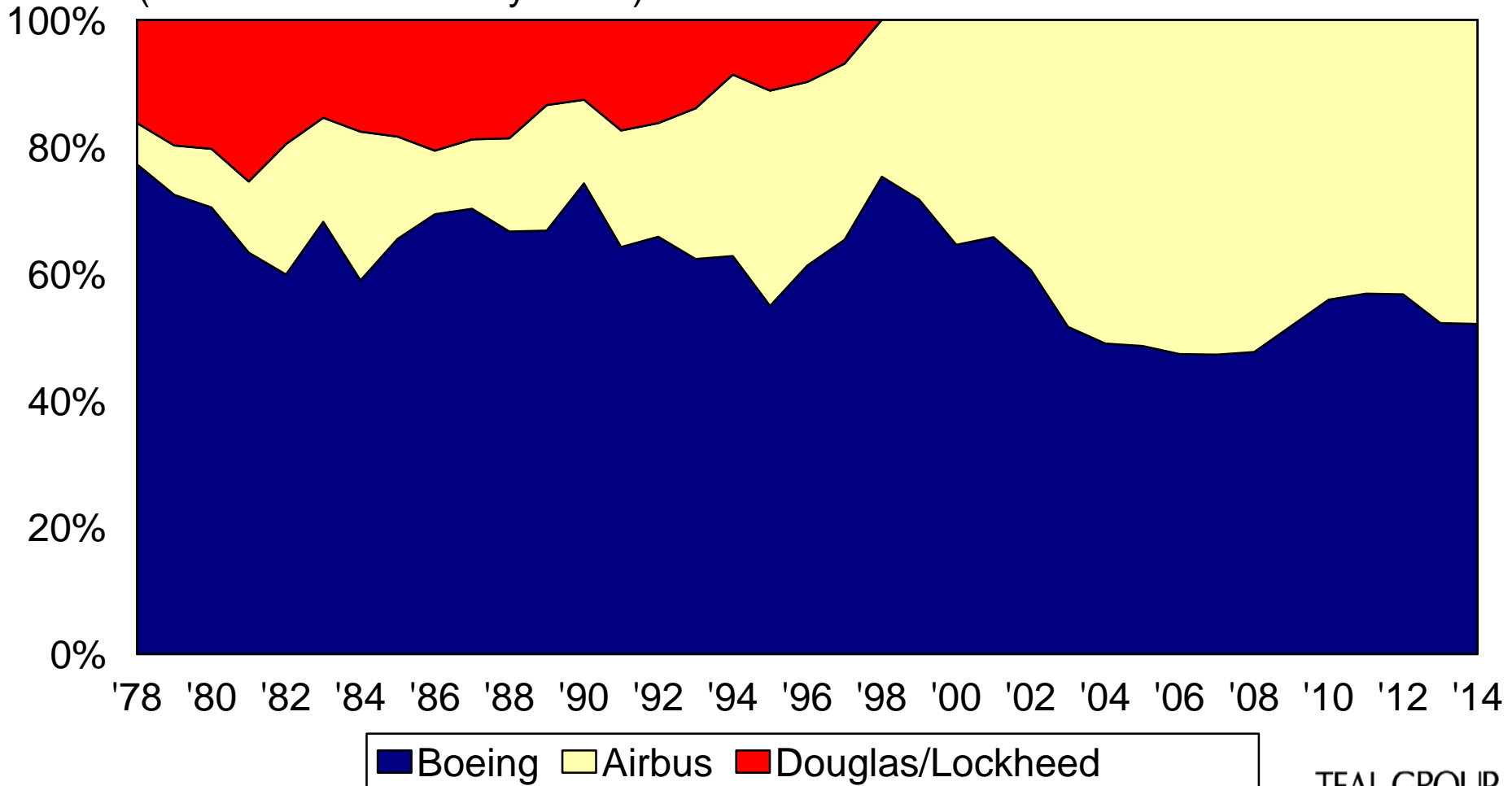
Source: Airline Monitor, Teal Group



Jetliner Market Share Outlook

787 Holds The Line; Assumes Current A350 Launch

(Share of deliveries by value)



The Competition: Takeaway Points

- **Boeing: right strategy, underfunded.**
 - They're finally starting to fund it.
- **Airbus: wrong plane, well-funded.**
Need new plane to respond to 787.
- **Boeing WTO objective: stop Airbus from using public money for this.**
- **Airbus objective: finish privatization with a product line that is still superior, despite the 787.**