



In the Spotlight: The Airbus A321XLR

Understanding the Appeal of the Airbus A321XLR to Operators

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Published: February 14, 2020

Brief:

Airbus launched the A321XLR (“Xtra Long Range”) aircraft program at the Paris Air Show in June 2019. To date, nineteen operators and two leasing companies have made orders or commitments for the newest variant of the blockbuster A320neo aircraft family. Offering 15% additional range compared to the preceding A321LR sub-model, the XLR fits into two distinct niches in the market.

Although all operators with XLR orders intend to capitalize upon the aircraft’s superior range and fuel efficiency characteristics, legacy carriers with established transatlantic services will deploy this aircraft on new routes with thinner or seasonal demand. By contrast, low-cost operators will benefit from the aircraft’s single-aisle economics that integrates into their existing business strategies and facilitates across-the-board expansion.

Key Concepts:

- ➔ Airbus’ A321XLR program builds on the success of the A321neo to bring superior fuel efficiency and narrowbody economics to intercontinental routes.
- ➔ The XLR aircraft offers network carriers an appropriate replacement for their aging Boeing 757-200 fleets.
- ➔ By quickly closing deals with major airlines and leasing companies for the XLR, Airbus has raised pressure on the viability of Boeing’s NMA concept.

First To Market Advantage

Airbus scored a victory with the timing of its launch of the XLR program. Since it quickly locked down a healthy orderbook from an operationally-diverse range of airline customers, it proved the market's appetite for a longer-ranger narrowbody aircraft with current engine technology. The wise decision to launch the XLR dealt a blow to Boeing's product development strategy. Boeing was sidetracked for most of 2019 by the grounding of the 737 MAX program. As it labors over the safe return of the MAX to service, it will probably not make a counterpunch in the first half of 2020.

For several years, Boeing executives have pondered whether to commit to the full development of the New Midsize Aircraft (NMA). A number of loyal Boeing customers are clamoring for a modern replacement for midsize 757 and 767 aircraft. Nevertheless, the American airframer must now reevaluate the prospects of its NMA; several would-be customers have already defected to its European counterpart.

At the start of the Paris Air Show last June, Air Lease Corporation (ALC) placed the first public order for the XLR. John Plueger, the leasing company's chief executive officer, described why the XLR might could squash interest in the NMA for prospective operators: "We think that [the XLR] addresses the smaller size of what Boeing envisions to be the NMA (a larger and smaller version). It remains to be seen as to market acceptance and economic viability of that program in terms of being able to develop it and deliver it to the airlines at a price point which is compelling... We will assess, and we are talking with Boeing as they continue to look at the NMA."¹ More recently, Plueger stated that the NMA's development prospects had "diminished significantly" because of the broad range of difficulties weighing Boeing down.²












Following ALC's orderbook jump-start with 27 aircraft, GECAS placed an order for 20 aircraft in November. By winning orders from a duo of prominent lessors plus a pair of market-making American network carriers, Airbus demonstrated the XLR's appeal among top-tier customer base.



Expert Opinion

Lindsey Webster, mba's vice president of asset valuations, explains how Airbus attempted to outmaneuver Boeing in the midsize aircraft market:

"Airbus's launch of the A321XLR comes at a time when Boeing is feeling immense pressure to both fix a grounded aircraft and to launch a new market aircraft. While it can be seen as optimal timing for Airbus, we can't help but wonder: was range the only ingredient missing from the A321LR? Boeing's NMA concept offers longer range, more seats, quicker turn times and optimal cargo space. If airlines are looking for more than range, perhaps the A321XLR's order book will look similar to the A330neo against the 787 with a lot of potential but with a fraction of the orders. We anticipate the NMA will be priced well above the A321XLR but, with 30 more seats and a completely new design, the aircraft may instead be competing in overlapping but not direct competition."

JUNE	<p>American Airlines </p> <p>→→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ 50 aircraft • USA</p> <p>Wizz</p> <p>→→→→→→→→→→ →→→→→→→→→→ 20 aircraft • Hungary</p> <p> السعودية SAUDIA</p> <p>→→→→→→→→→→ →→→→→ 15 aircraft • Saudi Arabia</p> <p>IBERIA </p> <p>→→→→→→→→→→ 8 aircraft • Spain</p>	<p> QANTAS</p> <p>→→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ →→→→→ 36 aircraft • Australia</p> <p>FRONTIER</p> <p>→→→→→→→→→→ →→→→→→→→→→ 18 aircraft • USA</p> <p>jetBlue</p> <p>→→→→→→→→→→ →→→→→ 13 aircraft • USA</p> <p>Aer Lingus </p> <p>→→→→→→→→→→ 6 aircraft • Ireland</p>	<p> AIR LEASE CORPORATION</p> <p>→→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ 27 aircraft • USA</p> <p>JetSMART</p> <p>→→→→→→→→→→ →→→→→ 12 aircraft • Chile</p> <p> cebu pacific</p> <p>→→→→→→→→→→ 10 aircraft • Philippines</p> <p> MEA</p> <p>→→→→→ 4 aircraft • Lebanon</p>
AUGUST	<p>AirAsia</p> <p>→→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ 30 aircraft • Indonesia</p>		
OCTOBER	<p>IndiGo</p> <p>Undefined order for up to 300 A320neo aircraft, including A321XLRs • India</p>	<p>vietjet <i>Alf.com</i></p> <p>→→→→→→→→→→ →→→→→→→→→→ 20 aircraft • Vietnam</p>	<p> CZECH AIRLINES</p> <p>→→→→→ 3 aircraft • Czech Republic</p>
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DECEMBER	<p>UNITED </p> <p>→→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ →→→→→→→→→→ 50 aircraft • USA</p>	<p>SJIY</p> <p>→→→→→→→→→→ 10 aircraft • Chile</p>	

Significant Orders



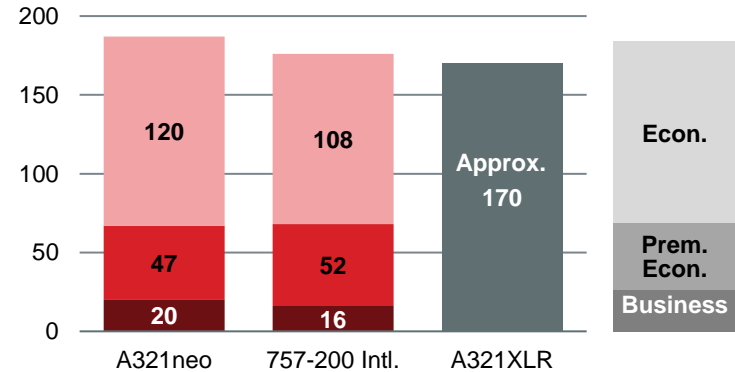
During the 2019 Paris Air Show, American signed an agreement for 50 XLR aircraft. The deal covered a new order for 20 aircraft, plus the upsizing of a prior order for 30 A321neo aircraft.³

Currently, American flies the 757-200 from six hubs to a range of leisure destinations in the Caribbean, South America, and Europe. American will presumably distribute the XLR throughout its East Coast network. Notably, the new aircraft will facilitate new routes from its transatlantic gateways at New York/JFK and Philadelphia, plus the expansion of flights from Miami to secondary destinations in Latin America.

American’s International 757-200 Routes in 2019⁵



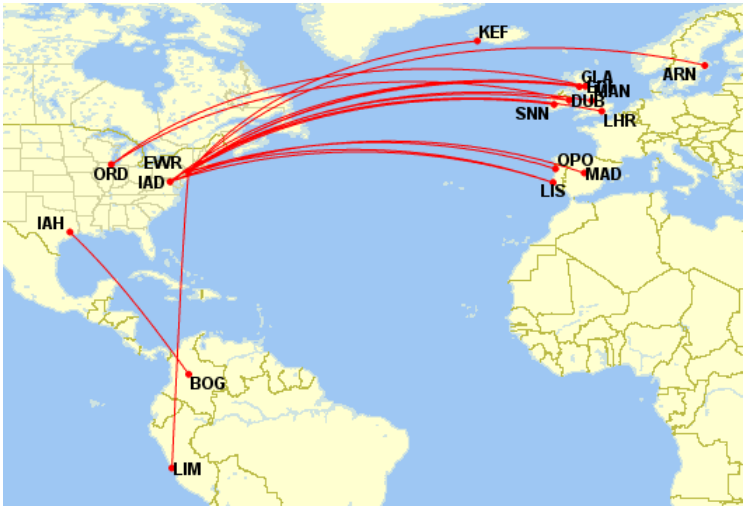
Passenger Capacity in American’s Cabin Configurations



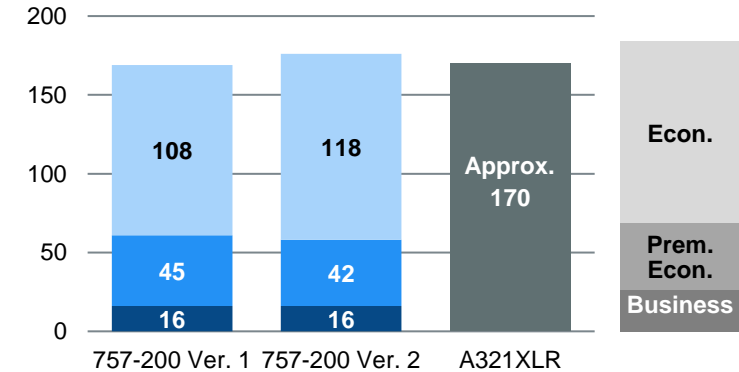
In early December 2019, United placed a firm order for 50 XLR aircraft. When deliveries commence in 2024, it will begin retiring its fleet of 53 757-200 aircraft.⁴

For international flights, United has committed its 757-200 fleet to secondary European destinations with seasonal demand, plus two thin South America routes. New York/Newark to Stockholm, its longest route with this type, exceeds 3,900 miles. United will presumably deploy its XLRs in a more focused way than American; it will focus on adding transatlantic routes from its hubs at New York/Newark and Washington/Dulles.

United’s International 757-200 Routes in 2019⁶



Passenger Capacity in United’s Cabin Configurations



TECHNICAL HIGHLIGHTS



15%

Greater range than A321LR



20%

Reduced fuel burn per seat



50%

Decreased noise for passengers



244

Passengers in all-economy layout



170

Passengers with lie-flat business class



9+

Hours of flight time

Range Capabilities⁷

The XLR offers 15% greater range than the prior-generation A321LR variant, which in turn surpassed the range of the A321neo by 15%.⁸ When configured with a low-density cabin with lie-flat seats for business class passengers, the aircraft's range will stretch to 8,700 KM; its flight time will exceed nine hours.⁹ The aircraft offers a 1,500 KM increase over the 757-200 and 1,300 KM beyond the LR variant. From New York, as an example, this means that the XLR can operate deep into South America and far into Eastern Europe.



Conclusions

Reflecting on the first phase of the XLR program, Airbus should take particular pride in the XLR orders it received from American Airlines and United Airlines. Both operators fly large fleets of 757 and 767 aircraft which will reach the end of their economic life in the years ahead. By closing those deals early in the life of the XLR program, Airbus elbowed out Boeing from orders from these market-makers. Among the three American legacy carriers, only Delta Air Lines remains uncommitted to a midsize aircraft replacement order. The Atlanta-based carrier will eventually need to replace up to 200 midsize aircraft.¹⁰

Airbus will surely accumulate more orders for the XLR before 2023, when it intends to deliver the aircraft for commercial service.¹¹ Whether or not the NMA comes to market, Airbus will continue to lure operators to the XLR with an enticing combination of narrowbody cabin capacity economics, intercontinental range, and superior fuel efficiency thanks to modern engine technology.

References

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⁴ <https://www.airbus.com/newsroom/press-releases/en/2019/12/united-airlines-orders-50-airbus-a321xlr-for-transatlantic-route-expansion.html>

⁵ Route data as of 2019, sourced from OAG. Map generated by the Great Circle Mapper, copyright © Karl L. Swartz.

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⁸ <https://www.airbus.com/aircraft/passenger-aircraft/a320-family/a321neo.html#a321xlr>

⁹ <https://www.forbes.com/sites/michaelgoldstein/2019/12/04/united-airlines-to-buy-50-ultra-long-range-airbus-a321xlr-aircraft-in-estimated-6-billion-deal/#22328b5c624a>

¹⁰ <https://www.wsj.com/articles/airbus-jumps-ahead-of-boeing-in-midsize-plane-battle-11560764395>

¹¹ <https://www.airbus.com/aircraft/passenger-aircraft/a320-family/a321neo.html#a321xlr>

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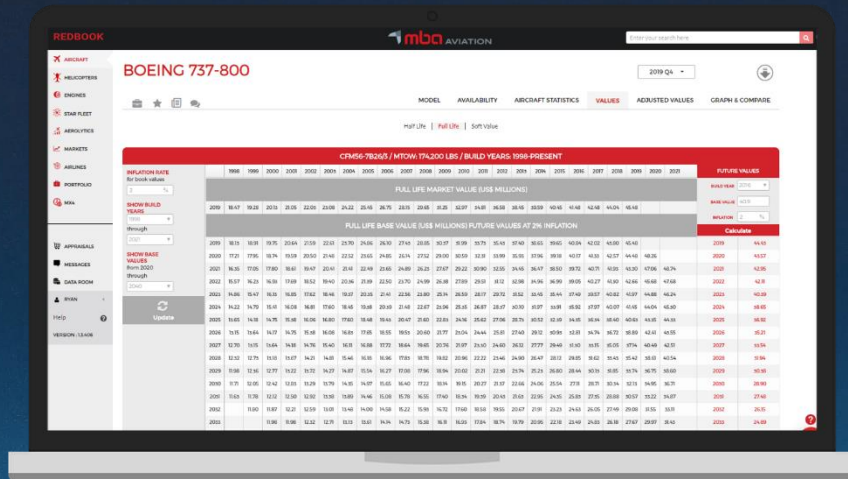
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