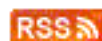


China Eastern buys 20 Boeing 777s

In an unusual move, the US firm will acquire five planes from rival Airbus in US\$5.9 billion deal

Charlotte So
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Boeing has made a sales pitch more common to the car showroom than multibillion-dollar aircraft deals as it attempts to woo mainland customers from European rival Airbus.

The US company convinced China Eastern Airlines (SEHK: 0670) to trade in five of its Airbus aircraft at a premium in return for it buying Boeing 777-300ER (extended range) planes.



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Boeing's breakthrough in selling wide-bodied aircraft to China Eastern comes as a time when Beijing is at odds with the European Union over its emissions trading scheme.

China Eastern ordered 20 Boeing 777-300ERs in a deal worth US\$5.94 billion, marking a milestone for the carrier which now operates an almost pure Airbus fleet for long-haul routes, except for three Boeing 767s ordered by its subsidiary Shanghai Airlines in 1998 and 2005. China Eastern and Shanghai Airlines merged three years ago.

Airbus, which has lost yet another deal from a mainland airline, said US\$12 billion worth of aircraft orders had been put on hold by Beijing as a retaliatory measure against the EU's plan to charge all flights to and from Europe for carbon emissions from January.

Boeing had poached a previously loyal Airbus customer by a really sweet deal, analysts said.

It offered to trade in five A340-600s from China Eastern at US\$142.2 million each - at least 2.4 times the market price.

"It's a very unusual practice," said Paul Sheridan, the head of consultancy in Asia at Ascend, a London-based aviation consultancy. "Boeing has done it because until now China Eastern has used quite a lot of double-aisle aircraft from Airbus."

Another analyst also found the tactic abnormal. "It is as if there has been no amortisation of the aircraft's book value since they were delivered," said Simon Finn, a senior vice-president of aviation research for DVB Bank.

China Eastern could not be reached for comment because of the Labour Day holiday.

The B777 is said to be more than 10 per cent fuel-efficient than the A340-600 on a typical flight. This operating cost excludes the maintenance costs associated with four large turbofan engines, against two on the B777.

"It is very common in the United States to trade in your old car when you buy a new car from an agent," said Christopher Morgan, a senior sales director at Boeing (Asia). "It happens a little bit in the aviation industry."

Sources said Boeing would lease the traded aircraft. It leased an A340 to Cathay Pacific Airways (SEHK: [0293](#)) few years ago, the source said.

Airbus did not comment on the deal.

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