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Airbus Wants A380 Cost Cuts

Despite Six Years of Streamlining, Aircraft Firm Still Sees Need for Additional Production Efficiencies

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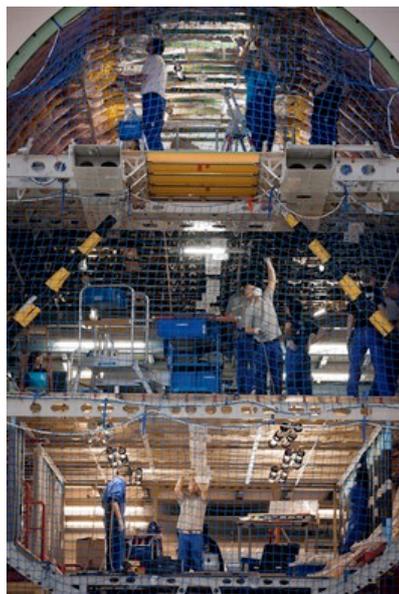
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By DANIEL MICHAELS

FARNBOROUGH, England—Despite six years of effort to build Airbus A380 superjumbo jetliners more efficiently, the European plane maker must still cut the cost and time needed to produce its two-deck airliners, top executives said.

Severe problems assembling giant A380s in 2006 sparked months of management upheaval at Airbus and its owner, European Aeronautic Defence & Space Co.

EAD.FR +0.30% The ambitious project has cost EADS several billion dollars more than its original budget of roughly \$12 billion. Airbus has worked intensively to get A380 production under control, but is still delivering superjumbos roughly 25% slower than it expected to by now when the project started in 2000.



Bloomberg News

Airbus employees work on interior fuselage section of an A380 aircraft at a factory in Hamburg, Germany.

"We need to continue to drive costs down and cut lead times," said Airbus Chief Executive Fabrice Bregier in an interview at the Farnborough International Air Show. Despite the need to streamline, "the program is under control," he said. "This is a big shift from the past, when it was always drifting away."

Airlines have ordered 257 of the A380, which is the world's largest passenger plane and able to carry more than 850 passengers. EADS officials in 2007 said they needed to sell 420 of the model for the project to break even. They later said that number had increased but have not since specified how many A380s they must sell to put the project in the black.

A big production challenge has been that many of the 20 airlines that have ordered A380s designed lavish interiors, which are difficult and expensive for Airbus to install.

Work on the plane is complicated by a production system that was organized in part to



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split tasks between French and German Airbus operations. The plane's structure is assembled in Toulouse, France, and then flown to Hamburg, Germany, where interiors are completed. The division leaves until late in the production process a significant amount of interior work that on smaller Airbus models is done earlier, alongside structural work.

Handling the tasks in sequence, rather than parallel, slows completion of A380s and adds costs, said Tom Williams, Airbus executive vice president for programs.

Interiors of smaller A330 models, which are both assembled and furnished in Toulouse, are completed in less than three weeks, Airbus managers said. Interiors of the superjumbo, which carries slightly more than twice the passengers of an A330, require 10 weeks, Mr. Williams said.

"I think we've still got a lot of scope for improvement" of A380 production, Mr. Williams said in an interview. "The job now is to push the cabin fit-out as far back up the final assembly line as possible."

Rationalizing the work could entail moving some tasks from Germany to France. Changing the division of work between Airbus's two main bases "is still a sensitive issue with governments and unions," Mr. Williams added.

Airbus has delivered 77 A380s since 2007 and is now building almost three superjumbos each month. Its original plan was to produce four monthly by now. It expects to deliver 30 A380s this year, up from 26 last year and 18 in 2010. The average time A380s spend in Hamburg has declined gradually over that period, according to AeroTransport Data Bank, a French company that tracks airplanes.

Mr. Williams said that the low production rate for A380s also means that workers and engineers are mastering tasks more slowly. Airbus each month delivers almost 10 A330s and almost 40 of its much smaller A320 models.

The A380 has been plagued by production issues. The initial troubles, which centered on wiring the cabins, were largely resolved by 2009. But in 2010 one engine on an A380 flown by [Qantas Airways Ltd.](#) QAN.AU +0.96% of Australia blew apart after takeoff from Singapore. [Rolls-Royce](#) RR.LN +1.28% PLC, which produced the engine, then faced production delays as it resolved manufacturing glitches that had caused the incident. Airbus said delays getting Rolls-Royce engines last year caused it to deliver fewer A380s than initially planned. The problem has been resolved, both companies said.

This year Airbus has faced new problems with cracks in metal parts inside A380 wings. Fixing planes already built, and adjusting ones now in production, further slowed output, executives said.

The repairs are adding to the program's cost, as is compensation to airlines whose A380 operations are being disrupted by the need to ground the planes and fix their wings. The problem will cost EADS at least several hundred million dollars, and the cost could continue for several years, executives and customers have said.

Mr. Williams said that despite the wing cracks, Airbus is making progress on A380 production. "The evolution of unit cost is quite good," he said, but didn't offer details.

Airbus executives have said they expect that by 2015, for the first time, the cost of building each A380 will be less than its sales price. A380s have a list price of \$390 million, but actual prices are much lower because of discounts that airlines negotiate.

Recovering the billions of dollars that EADS has spent on the program would take many more years, if it ever happens, industry officials said.

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