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FedEx Said to Weigh Boeing, Airbus Wide-Body Order to Renew Delivery Fleet

By Mary Schlangenhein, Susanna Ray and Andrea Rothman - Sep 7, 2011

[FedEx Corp. \(FDX\)](#) is considering whether to buy wide-body freighters from [Boeing Co. \(BA\)](#) and Airbus SAS to update the fleet of the world's largest cargo airline, three people familiar with the matter said.

The order would involve about 50 planes, and discussions center on Boeing's 767 and Airbus's A330, said one of the people, who wasn't authorized to speak publicly. While FedEx's board may consider an order at a meeting today, a final decision may not come for several months, two people said.

Secondhand 767 passenger models may be part of a purchase, allowing [Memphis](#), Tennessee-based FedEx to convert the planes to fly cargo, two people said. The likely value of a deal may be several billion dollars, based on list prices of \$167.7 million for a new [767-300 freighter](#) and \$203.6 million for an A330-200 freighter, and the discounts customers receive.

A freighter order would be a boost for either planemaker. Boeing is seeking sales to keep its 767 assembly line busy before the company starts building U.S. Air Force tankers based on the model, and Airbus has secured only 57 A330 freighter orders since committing to the cargo version in 2007.

Twin-engine jets like the 767 or A330 would help FedEx cut fuel costs, because its large planes include three-engine DC-10s and MD-11s from Chicago-based Boeing. Some of the DC-10s are more than 30 years old, according to data compiled by aviation researcher Ascend Worldwide Ltd.

Order Timing

FedEx's progress on an order decision may be slowed by concern that the economic outlook is weak and the risk of losing U.S. [Postal Service](#) business, two people said. FedEx is the largest contractor for the Postal Service, which said this week it is pressing suppliers for \$1 billion in annual savings as it faces possible insolvency as soon as Sept. 30.

Clay McConnell, a U.S. spokesman for Toulouse, France-based Airbus, and Boeing's Tim Bader declined to comment on any conversations between the planemakers and FedEx.

“As a matter of policy, we don’t comment on market rumors or speculation,” said Jim McCluskey, a FedEx spokesman. “That’s all I can provide.”

FedEx rose \$2.67, or 3.6 percent, to \$76.27 yesterday in New York Stock Exchange composite trading, while Boeing gained \$2.13, or 3.4 percent, to \$64.90. Airbus parent European Aeronautic Defence & Space Co. climbed 1.45 euros, or 7.1 percent, to 21.88 euros in Paris.

Secondhand Planes

For the used 767s, FedEx has discussed so-called Boeing- converted freighters, in which the planemaker does the work to reconfigure the aircraft, said one of the people familiar with the discussions. Such conversions are cheaper than buying new freighters, another person said.

FedEx has experience in acquiring secondhand passenger jets to refit for freight duty. It has taken that approach with narrow-body Boeing 757s, twin-engine planes that burn less fuel and can carry about 20 percent more freight than the three- engine 727s FedEx uses on short-haul routes.

The list price for refitting a smaller 757 is \$4.8 million to \$5.5 million, according to Singapore Technologies, also known as ST Aerospace, which has been doing such work for FedEx.

FedEx’s fleet totaled [688 planes](#) as of May, with 276 from Boeing or its predecessor companies and 124 from Airbus, according to the latest annual filing. The rest were smaller aircraft such as Cessna 208B and ATR turboprops, FedEx said.

777 Purchase

The company’s last major aircraft purchase was from Boeing, an order of 15 777 freighters in November 2006. FedEx said then that it was canceling an order for 10 Airbus A380 freighters after “significant delays” on the cargo version of the superjumbo jet, which never went into production.

While Boeing has built more than 1,000 767s since the plane entered service in 1982, the model has lost favor with airlines as longtime customers focus on the new 787 Dreamliner, the plastic-composite jet that promises greater [fuel efficiency](#). The backlog of 767s was 52 through July, according to the company, compared with 348 for the A330.

With Boeing assembling 767s at a rate of about two planes each month, the current orders would amount to only about two years of production for the commercial variant of the plane.

The 767-300 freighter can carry more than 59 tons (53,500 kilograms) of cargo and has a [maximum range](#) of about 3,700 miles (6,000 kilometers), according to Boeing’s website.

An A330 freighter can fly as much as 70 tons of cargo for almost 3,700 miles, according to Martin Fendt, an Airbus spokesman.

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