Boeing 737 Fuels Virgin Blue Expansion

Boeing [NYSE: BA] today confirmed Virgin Blue's decision to purchase up to 50 additional new Boeing 737 airplanes. The agreement includes a firm order for 10 737-800s and options for 40 more 737s, with an estimated list value of US$3 billion.

The decision follows extensive evaluation of the 737 and its closest competitor, the Airbus A320. The new 737s will meet Virgin Blue's fleet expansion plans for the next 10 years, with deliveries scheduled to begin in August 2003.

The airplanes were recently accounted for in Boeing's published order totals, attributed to an unidentified customer.

"We started this process with a clean sheet of paper to ensure we achieved the best possible result," said Brett Godfrey, chief executive officer of Brisbane-based Virgin Blue. "At the end of the day, the 737 aircraft produced the best results for Virgin Blue, and more importantly our guests. The 737 is the proven leader for low-fare airlines around the world, and it has been crucial to the success of Virgin Blue. We did a very thorough analysis, and Boeing was first past the post."

The new airplanes will have performance-enhancing winglets manufactured by Hawker de Havilland, an aerospace manufacturing supplier based in Melbourne, Australia.

Virgin Blue began providing Australian domestic service Aug. 31, 2000, and has carved a niche in the low-cost market. The Brisbane-based carrier is Australia's largest low-fare airline, operating an all-Boeing fleet that includes 28 Next-Generation 737s and one Classic 737. The airline also has announced its interest in flying to regional destinations including New Zealand and several South Pacific islands.

"After its rigorous examination, Virgin Blue's decision reaffirms the 737 as the best solution for low-fare airlines," said Doug Groseclose, vice president International Sales, Boeing Commercial Airplanes. "One model, one pilot group, and one engineering philosophy all add up to a great recipe for success. Low-cost carriers are driving the airline business globally, and it's no secret that the 737 is the leading airplane for this growing segment of the market."

The low-fare business models of Southwest Airlines and Ryanair replicated around the world are based on an all-Boeing 737 fleet. There are more than 900 737s in service or on order for the low-fare market.

"Having a new fleet of 737s has been one of the key components of customer acceptance of a maverick airline in what was a stagnant domestic aviation market," Godfrey added. "Our guests appreciate the smooth ride and comfortable cabin environment while our operations team found that its efficient design facilitated our quick turnarounds and consistent on-time performance."

Next-Generation 737s have the lowest operating costs in their class -- almost 4 percent lower on a typical route than the closest competitor. The maintenance costs of the 737 are up to 35 percent lower, and the 737 is the industry leader in reliability. The 737 single-aisle airplane also is quicker to load and unload, which allows carriers to make maximum use of their airplane.

Virgin Blue is an award-winning low-fare airline servicing every Australian capital city and a number of regional destinations. The carrier employs more than 2,200 people.

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