

Local airlines could be stuck with troubled B737s

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Boeing B737 Max 8. Courtesy of Korean Air

By Kim Hyun-bin

International carriers have grounded Boeing B737 Max 8s citing safety issues, after two of the same model crashed within six months. The Korean government additionally banned operation of the troubled jets in its airspace.

The Ministry of Land, Infrastructure and Transport announced Friday that all Boeing B737 Max 8 jets will be banned from landing and taking off on Korean soil as well as flyovers in its airspace starting 8:59 a.m., Friday, for three months or until further notice. The ministry sent a Notice to Airmen (NOTAM) to all airlines and related entities of the changes.

A NOTAM is a notice filed with an aviation authority to alert aircraft pilots of potential hazards along a flight route or at a location that could affect the safety of the flight.

The transport ministry added that if there are any defects or safety concerns in the model, the government plans to ban local airlines from bringing in additional jets to the country.

In May, the country's flagship carrier Korean Air is scheduled to bring in six B737s; two low-cost carriers, Eastar Jet and T'way Air, will bring in four each respectively, in the coming months as well.

By 2027, 108 B737 are scheduled to be brought to the country with Jeju Air to operate 50, Korean Air 30, Eastar Jet 18 and T'way Air with 10 jets. Local airlines say voiding the contracts would be too much of a loss as the airline will have to take full responsibility for their cancellation, as there is currently no concrete evidence that Boeing's B737 Max 8 is flawed.

"Currently, there is no proof that the B737 Max model is defective. So if we nullify the contract we will be responsible for paying the penalty charges as we did not

meet our part of the bargain," an official at a local airline said.

The cost of a B737 Max 8 is estimated at 120 billion won (\$105.7 million); Korean Air purchased 30 in 2015 with options to order 20 additional jets.

If the airline cancels the contract without any specific cause, conventionally a 10 percent penalty or 12 billion won will be issued for each aircraft.

Korean Air is considering delaying the scheduled deliveries until safety concerns are cleared.

"Safety is our utmost concern and we will not operate the aircraft until it is deemed fully safe," Korean Air said in a statement released, Thursday.

Korean Air is engaged in talks with Boeing about the planned deliveries and hopes the manufacturer will come up with "adequate safety measures soon."

Jeju Air which is scheduled to bring in 50 jets in stages from 2022 says it will wait for the investigation results.

"We still have a couple of years before we bring in the jets in 2022, so we will wait for the crash investigation to be completed. If there are defects, Boeing will be responsible for making adjustments, so we are watching closely how the situation progresses," an official from Jeju Air said.

T'way Air has made a long-term contract with Boeing agreeing to pay 500 million won monthly for each jet for 10 years, but if the safety issues are not addressed, the planes will be grounded upon arrival.

If the 737 model itself is found defective, experts believe Boeing will be overwhelmed with compensation lawsuits.

"There are around 350 B737s in operation worldwide, most of which are grounded at the moment. If the investigation takes a long time and the model is deemed defective, I believe most airlines operating the model will file a compensation suit for their losses," an official from a local airline said.

Most of the local airlines purchased Boeing's latest model jets, as it promised to cut fuel and maintenance bills, while allowing more passengers onboard than previous models. The Max jet is one of the best-selling Boeing models and more than 5,000 737s have been ordered worldwide.

