Boeing Projects $4 Trillion Market For New Airplanes And Services

Boeing has expanded its annual market forecast to include the aviation services airlines need for efficient fleet operations. The total market - services plus future new airplane deliveries - is estimated to be worth more than $4 trillion over the next 20 years, according to the company's Current Market Outlook 2000, released today at the Farnborough Air Show.

The report's departure from its traditional format reflects the reality of a more competitive industry, and a growing - and to some extent - aging worldwide airplane fleet, a testimony to the long-term utility and value of today's jetliners.

"The shift from a regulated to liberalized market has increased competition among airlines and is forcing them to operate at much higher levels of efficiency to remain profitable," said Randy Baseler, Boeing Commercial Airplanes Group vice president - Marketing. "As a result, airlines are more interested in total lifecycle costs. They are redefining their business models and looking for ways to reduce their overall operating costs by either outsourcing non-core capabilities or diversifying to bring in revenue."

Baseler pointed out that suppliers that are able to provide comprehensive, customized product-and-service packages will be highly sought after by airline customers.

"In today's environment, airlines want partners and suppliers who understand the market, appreciate the challenges individual airlines face, and who have the expertise to pull together industry resources to solve airline problems," Baseler said. "Only Boeing is uniquely positioned and prepared to bring this kind of value to our customers, and we see this as a tremendous opportunity."

Boeing estimates that the commercial aviation support services market will be worth more than $2.6 trillion over the next 20 years, with annual revenues considerably more than that for the new airplane market.

Airline operating expenses cover all activities to attract customers and deliver passengers and cargo to their destinations. These activities include a set of support services needed to operate airline fleets and eliminate surplus airplanes. In 1999 alone, airlines spent about $330 billion on operating expenses, with roughly $87 billion spent on support services.

Baseler said over the next two decades airlines are expected to spend the most in the heavy maintenance, airport route and infrastructure, airplane servicing, and airframe component repair segments.

Boeing estimates the world fleet will be 31,755 jets by 2019 - more than double that of today - with two-thirds of the airplanes currently in service projected to be operating at the end of the forecast period. Additionally, the outlook estimates that 22,315 new airplanes will enter service to accommodate growth and replace airplanes that will be removed from service.

Of the $1.5 trillion that Boeing projects airlines will invest in new commercial airplanes over the next 20 years, about 55 percent will be for larger regional jets and single-aisle airplanes. Intermediate-size airplanes and small regional jets will receive nearly the same emphasis from fleet planners, while the market for 747-size and larger jets represents only 6 percent of the industry's total investment in new airplanes.

"We see market fragmentation continuing within regions and in intercontinental markets, which means airlines will rely more and more on smaller airplanes to meet passenger demand for nonstop flights and service between more cities," Baseler said. "North America will lead this trend with regional and single-aisle airplanes - 717s, 737s, and 757s and the like - while Asia-Pacific will receive the largest number of twin-aisle airplanes, such as 767s and 777s."

Baseler said the Current Market Outlook's projections for new airplanes are based on an annual worldwide travel growth of 4.8 percent over the next two decades, however, regional forecasts range from 2 to 8 percent.

Europe and North America will have lower growth rates, although those regions will continue to take the most airplane deliveries. Asian economies, recovering from earlier crises, will experience above-average traffic growth, and deliveries to airlines in this region will increase. Latin America, also recovering from an economic crisis, will experience some of the world's fastest traffic growth.

Baseler said Boeing is encouraged by the growth it sees globally, and the opportunities it represents for the complete Boeing product line, especially in the long-range market.

"Our new Longer-Range 777s and the 747X family are the perfect solutions for fragmenting, long-range markets around the world, especially in the North Pacific and Europe-Asia markets," he said. "The 777 family continues to reshape air travel, and our two new models will provide airlines with even more flexibility.

"The 747X family will build on the market success and superior economics of the 747-400 and is the best choice for high-density, long-range markets. Andnd it complements the capabilities of the 777. Together, these models can easily satisfy the requirements of the overall long-range market and we are convinced they are the right choice for the market."

The Boeing Current Market Outlook has been published for more than 30 years and is widely acknowledged as the leading industry forecast of worldwide air travel growth and new-airplane demand.

###

For further information:
Susan Bradley at Farnborough
+44 1252 380997
Barbara Murphy in Seattle
(206) 766-2949