Boeing Projects $4.7 Trillion Market for New Airplanes and Services

The Boeing Company released its 2001 Current Market Outlook (CMO) at the Paris Air Show today, noting a forecast of a $4.7 trillion market for new commercial airplanes and aviation services over the next 20 years. The report, widely regarded as the most comprehensive and respected analysis of the commercial aviation market, 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. "And passenger preference for more frequent, nonstop flights with shorter trip times, will continue to drive market evolution and airline strategies. Afterall, air travel is all about saving time."

Boeing estimates the world fleet will double to almost 33,000 jets by 2020, comprising almost 18,400 new airplanes for market growth; 5,100 airplanes for replacement; and the more than 9,500 airplanes that currently are flying. The mix of current and new airplanes is expected accommodate a forecast of 4.7 percent growth in world air travel, plus 6.4 percent growth in the cargo segment. Regional annual growth varies between 3.1 and 7.7 percent, with Latin America expected to be the fastest growing market.

Boeing projects airlines will invest $1.7 trillion in new commercial airplanes, which equates to 23,500 airplane deliveries over the next 20 years. Of that total:

- 18 percent (or 4,200 deliveries) will be for smaller regional jets (below 90 seats)
- 56 percent (or 13,300 deliveries) will be for larger regional jets and single-aisle airplanes
- 21 percent (or 4,900 deliveries) will be for intermediate-size airplanes
- 5 percent (or about 1,100 deliveries) will be for 747 and larger size airplanes

"We see market fragmentation - or 'point-to-point' operations - continuing worldwide, which means airlines will rely more and more on smaller airplanes to meet passenger demand for safe, reliable service; nonstop flights when and to where they want to go; and low fares in comfortable surroundings," Baseler said.

Baseler pointed out that in 1987, only TWA operated one flight per day from Chicago to London, flying a 747. Today, United Airlines and American Airlines are operating 22 daily nonstop flights from Chicago to 11 cities in Europe using a mix of 767 and 777 airplanes.

He added that the industry is seeing similar change on Pacific routes, where the 777 is serving point-to-point requirements. Some recent examples are United Airlines' Chicago-Beijing nonstop flights; Continental's Newark-Hong Kong nonstop flights; and American Airlines' San Jose-Taipei nonstop flights, all of which are being served by the Boeing 777-200ER, the longest range airplane flying today. Passengers on these flights no longer must stop in Japan, saving significant travel time.

The 2001 forecast does not include the company's recently announced "sonic cruiser" concept, although company executives have said they see a market for several thousand of the airplane that will change the way the world flies by adding a new dimension of speed. The company will amend the CMO once a final configuration has been determined and further engineering work is completed.

"We expect the sonic cruiser will accelerate fragmentation and segmentation through speed, which combined with the airplane's range, will help our customers compete even more effectively in medium- to long-range markets," Baseler said. "But until enough of them have been introduced into the worldwide fleet, it will be difficult to understand the full benefits of this revolutionary airplane."

The "sonic cruiser" will complement the current family of Boeing airplanes, which today can help airlines achieve substantial time savings by adopting point-to-point operations. For example, Continental and United are seeing a time savings of 3 hours 30 minutes (or 18.3 percent) on its 777 and 747 direct flights between New York and Hong Kong. Similarly, Lufthansa is seeing a savings of 2 hours 25 minutes (or 17.2 percent) on their 747-400 flights from Munich to Los Angeles.

Increasing pressure on the airlines to become more efficient led Boeing to announce that it would enter the substantial and lucrative aviation support services market.

Boeing estimates that the commercial aviation support services market will be worth more than $3 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 2000 alone, airlines spent more than $350 billion on operating expenses, with roughly $95 billion spent on support services.

Baseler said that in 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.

"In today's environment, airlines want partners and suppliers who understand the market, appreciate the challenges faced by individual airlines, 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."

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For further information:
Susan Bradley
Paris
+33 1 41 57 52 85
Cris McHugh
Seattle
(206) 766-2937