Boeing Projects $4.9 Trillion Market For New Airplanes And Services

The Boeing Company [NYSE:BA] released its 2002 Current Market Outlook (CMO) at the Farnborough Air Show today, noting a forecast of a $4.9 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 vice president -- Marketing. "And passenger preference for more frequent, nonstop flights with shorter trip times, will continue to drive market evolution and airline strategies. After all, air travel is all about passenger convenience and saving time."

Boeing estimates the world fleet will double to almost 33,000 jets by 2021, comprising slightly more than 17,200 new airplanes for market growth; 6,700 airplanes for replacement; and the more than 8,500 airplanes that currently are flying. The mix of current and new airplanes is expected to accommodate a forecast of 4.9 percent growth in world air travel. Regional growth varies between 3.5 and 7.9 percent, with Latin America expected to be the fastest growing market.

Boeing projects airlines will invest $1.8 trillion in new commercial airplanes, which equates to about 24,000 airplane deliveries over the next 20 years. Of that total:

- 18 percent (or 4,240 deliveries) will be for smaller regional jets (below 90 seats).
- 57 percent (or 13,765 deliveries) will be for larger regional jets and single-aisle airplanes.
- 21 percent (or 4,980 deliveries) will be for intermediate-size airplanes.
- 4 percent (or about 945 deliveries) will be for 747 and larger size airplanes.

In the freighter market, Boeing anticipates that more than 2,500 cargo airplanes will be added to the freighter fleet over the next 20 years, of which more than 70 percent will be modified passenger and "combi" airplanes. The value of new freighters is estimated at $116 billion in current U.S. dollars.

"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 1984, only TWA operated one flight per day from Chicago to London, flying a 747. According to the August 2001 Official Airline Guide (OAG), United Airlines and American Airlines operated 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 in the Pacific region, where the 777 is fragmenting trans-Pacific routes. Liberalization and the 777 are fragmenting the North Pacific, just as the 767 did on the North Atlantic. In August 2001, four Asian airlines and three U.S. airlines operated an average of 32 daily flights on the North Pacific with 777s. Some additional routes added since the August 2001 OAG include All Nippon Airways' flights between Tokyo and Washington, D.C.; and Korean Air flights between Seoul and Atlanta.

The 2002 forecast does not specifically include the Sonic Cruiser.

"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. "We are currently working with our customers to understand the value of speed."

The Sonic Cruiser would 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 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 its 747-400 flights from Munich to Los Angeles.

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

Boeing estimates that the commercial aviation support services market will be worth about $3.1 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.

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. "We believe Boeing is uniquely positioned and prepared to bring this kind of value to our customers, and we see this as a tremendous opportunity to help build a safe and efficient global air transportation system."

The Current Market Outlook is posted on the company's Web site..

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