Boeing Update: Asia Pacific to Account for One-Third of Airplane Deliveries Over Next 20 Years

Growth, fuel prices, aging fleets key factors affecting Asian airlines' airplane decisions; cargo surges

HONG KONG, March 7, 2011 - The Boeing Company (NYSE: BA), China's leading provider of passenger planes, said today that the Asia Pacific region's air traffic growth will exceed the world average by a large margin over the next two decades.

In a media briefing today at Asian Aerospace 2011, Randy Tinseth, vice president of Marketing for Boeing Commercial Airplanes, said the region's air traffic growth is expected to grow at an average annual rate of 6.8 percent over the next 20 years, compared to the world average of 5.3 percent.

"Asia Pacific will account for one-third (10,320) of new airplane deliveries worldwide over the period," Tinseth said. "This demand is driven by the fact that Asia Pacific will account for 44 percent of travel in 20 years' time, up from around 34 percent today."

"China's air travel growth is even more dramatic, with an 7.6 percent increase over the next two decades," he added. "This is sweet music to an airplane manufacturer's ears."

The rosy outlook is not limited to growth in passenger service. World air cargo traffic will triple over the next 20 years, according to Jim Edgar, regional director of Cargo Marketing for Boeing.

"From now through 2029, we expect world air cargo traffic to grow at an annual rate of 5.9 percent," Edgar said. "Asia will continue to be at the forefront of the air cargo industry. Routes associated with Asia will continue to experience the world's highest growth rates over the next 20 years, at 6.8 percent."

Of local interest and in line with the cargo recovery, Hong Kong Air Cargo Terminals Limited announced that total annual tonnage for 2010 hit a new handling record of 2.9 million metric tons, an increase of 24.8 percent over 2009.

"China represents 40 percent of the trans-Pacific cargo market, and Hong Kong is a key gateway for air cargo connecting China with the world," Edgar said. "This area stands to benefit greatly from future increases in air cargo traffic."

Tinseth said that rising passenger and cargo traffic is creating pressure for fleet growth. Globally, airlines will need 30,900 new passenger and freighter airplanes through 2030, valued at US $3.6 trillion. 44 percent of these aircraft will replace older, less-efficient airplanes, while 56 percent will account for new aircraft needed to meet air traffic growth. The world fleet is projected to double from 18,890 to 36,300 airplanes total airplanes during this span.

"The near doubling of the world fleet size is an indicator that airlines not only will plan for growth, but will take the economically rational step of modernizing their fleets as a hedge against high and unpredictable oil prices," Tinseth said.

"The global economic recovery is helping airlines rebuild their balance sheets, leading toward a demand for newer, fuel efficient and environmentally progressive airplanes worldwide."

Tinseth said that the biggest demand in the fastest growing markets will be for single-aisle airplanes.

"This demand is driven by three factors: growth in developing and emerging markets, demand from low-cost carriers, and the need to replace an aging fleet," Tinseth said.

The single-aisle, Boeing 737 is the most widely flown jetliner in the world. To keep up with demand, Boeing recently boosted production to a record 31.5 737s per month.

Despite the 737's popularity, Tinseth said Boeing is asking itself, "What comes next?"

"We're spending a lot of time with our customers to understand their needs and preferences for an airplane that will serve the single-aisle market for the next 50 years."

While the company hasn't made a decision on whether it will put a new engine on the 737 or instead develop a successor to the popular plane, Tinseth said customers would like to know what could be done with a new airplane in terms of size, fuel efficiency and reduced carbon footprint and maintenance costs. "So that's where our focus is right now."

Tinseth said if Boeing decides to build a new airplane, it likely would enter into service near the end of the decade.

"We are taking our time making this decision, analyzing all the technological data as well as what customers want," Tinseth said. "We could make an announcement as early this summer."

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Contact:
Milles Kotay
BCA International Communications office
Mobile: +1 425-306-4537
miles.kotay@boeing.com