

Positive messages

By Tom Ballantyne

There were signs of optimism at last month's Singapore Air Show with the message that the Asia-Pacific was leading the way back from the aviation industry's worst recession. Announcements were few and far between, however.

Indeed, the biggest commercial deal was for aircraft engines - Australian carrier Jetstar's US\$3.5 billion engine supply and service agreement with International Aero Engines. Jetstar ordered V2500 SelectOne engines for 50 A320s with options on another 40.

As for aircraft, there was an

order for 10 B777-300ERs from Garuda Indonesia to replace 10 cancelled B787 Dreamliners, which Garuda president, Emirsyah Satar, said the carrier "simply couldn't wait for".

Airbus signed a Memorandum of Understanding with Hong Kong Airlines for six A330-200s, adding to 17 previously ordered.

Show organizers reported \$9 billion worth of deals, mostly in the maintenance, repair and overhaul (MRO) sector, some \$4 billion short of the previous show in 2008. However, it attracted more than 800 companies from over 40 countries, about the same number as the last show in 2008.

Meanwhile, Airbus chief operating officer, customers, John Leahy, announced the European planemaker had lifted its forecast for aircraft purchases in the region in the next 20 years to 8,000 planes, up from an earlier projection of 7,672 aircraft. Airbus believes this will consist of around 880 very large aircraft, 2,570 widebodies and 4,560 single aisle aircraft worth some US\$1.2 trillion.

Boeing is even more upbeat in its forecast, predicting the region will need 9,000 planes in the next 20 years, worth \$1.1 trillion, of which 3,800 will be for China alone. The manufacturer said the Asia-Pacific

would be the source of more than 40% of the world's airline traffic in two decades.

"Everybody is talking about recession, but we think we are coming out the other side," said Leahy. Well, not quite everybody. Boeing's vice-president of marketing, Randy Tinseth said his company saw 2010 as the year of economic recovery. "We see 2011 as the year where airlines recover profitability and [there will be] an increase in demand for airplanes in 2012," he added.

Said Alex Glock, managing director of Embraer Asia Pacific: "There's a feeling of greater optimism now. The worst is over, but no one knows how long it will take on the road to recovery."

International Air Transport Association (IATA) director general, Giovanni Bisignani, speaking at an aviation leadership summit before the show, believes the airline industry will take three years to recover from the travel slump. However, he pointed out that last year intra-Asia-Pacific travel had already eclipsed the number of travellers within North America as the world's largest aviation market.

Bisignani warned that achieving Asia-Pacific's "tremendous potential" is contingent upon short-term efforts to battle the impacts of the economic downturn with cost reductions and efficiency gains.

He said the region's two biggest growth markets - India and China - face completely

different circumstances. "India's challenge is to reduce costs and improve infrastructure, while China is adjusting to new global trade patterns," said Bisignani.

The IATA boss explained the potential of the two markets. In the U.S. there are three aircraft seats per year for each of the 300 million people who live there, he said. China's population of 1.3 billion is served by only 0.3 seats per person and India's 1.1 billion population has only 0.1 seats available per person. "The global air transport industry will triple in size when Asians travel as much as people in the U.S.," he said.

Andrew Herdman, director general of the Association of Asia Pacific Airlines (AAPA), speaking at a low-cost airline conference during show week, said one key challenge for airlines in the region is matching excess capacity with depleted demand.

Airliners have had to be parked in the last two years because of shrinking demand, he said. "New aircraft have kept on coming because you're committed to take them and the penalties for cancelling those orders may be too severe. Even though [the market is] recovering, it's not going back to where it was without a kink in the curve," said Herdman.

"The whole industry has to adjust to the fact that the growth trajectory isn't always straight upwards. But my view about the future of this industry is that we're still going to see strong growth in the years ahead." ■



John Leahy, Airbus chief operating officer, customers: upbeat