



Asian Airlines Add Planes on Growth as Fuel Costs Force U.S. Flight Cuts

By Robert Fenner - Jun 2, 2011

[Air China Ltd. \(753\)](#), [Cathay Pacific Airways Ltd. \(293\)](#) and [Singapore Airlines Ltd. \(SIA\)](#) are adding planes because of Asian [travel demand](#) as U.S. and European carriers cut flights on rising fuel prices.

The Asia-Pacific region's commercial fleet will surpass [Europe's](#) and North America's within a decade to become the world's biggest, according to Ascend, as economic growth makes China the world's fastest-growing air-travel market. By contrast, [Ryanair Holdings Plc \(RYA\)](#) and [Delta Air Lines Inc. \(DAL\)](#) are paring services because of higher fuel prices and slower demand.

"A strong economy is really boosting traffic" in [Asia](#), [Giovanni Bisignani](#), head of the [International Air Transport Association](#), told reporters yesterday in [Singapore](#). The airline group's annual general meeting opens in the city on June 6.

Asia-Pacific carriers will accept about 37 percent of new planes over the next decade, more than doubling their proportion of the global fleet to 30 percent, according to Ascend. [North America's](#) share will decline to 27 percent from 35 percent over the same period, it said. That region will account for 19 percent of new deliveries, it said.

"There would need to be something pretty drastic to take the momentum away from Asia," said Eddy Pieniazek, a director at Ascend in [London](#), which provides airlines with fleet analysis and aircraft valuations. "China is in a sweet spot where a lot of people are finding their wings."

The nation's economy will grow 9.6 percent this year and [India's](#) will grow 8.2 percent, according to the [International Monetary Fund](#). Europe's will grow 2 percent, while the U.S. will expand 2.8 percent, it said.

Cathay Demand

Cathay Pacific, [Hong Kong's](#) biggest carrier, plans to boost passenger and cargo capacity about 10 percent this year, as it adds new [Boeing Co. \(BA\)](#) 777 passenger planes and 747-8 freighters. Its passenger numbers rose 4.1 percent in April, rebounding from a decline a month earlier caused by the earthquake in [Japan](#).

“Business travel into Hong Kong this year is up reasonably well over last year,” the airline’s Chief Executive Officer John Slosar said last month. “For us, it’s a good trend.”

Singapore Air intends to boost capacity 6 percent in the year started April 1, helped by the introduction of eight Airbus SAS A380s. Korean Air Lines Co. and China Southern Airlines Co. are also adding A380s this year, the first to join their fleets.

Air China, the nation’s largest international carrier, plans to expand its group fleet to more than 700 planes from about 400 by 2015, Chairman Kong Dong said in March. The carrier, including unit Shenzhen Airlines Co., will be the largest recipient of new planes this year, according to the [Centre for Asia Pacific Aviation](#). Nine Chinese airlines are among the 50 biggest recipients of new planes this year, the highest number for any country, it said.

Ryanair, Air France

Expansion in Asia contrasts with cuts in Europe. Ryanair, the region’s biggest low-cost carrier, will park as many as 80 of its 300 planes over the region’s winter months as it reduces capacity year-on-year for the first time. Delta and partner [Air France-KLM \(AF\)](#) Group are slashing seats on trans-Atlantic services by 9 percent.

[United Continental Holdings Inc. \(UAL\)](#), the world’s largest carrier, has scrapped plans to boost capacity by as much as 2 percent this year and will instead keep the level about the same as last year. The Chicago-based carrier, which burns about \$25,000 worth of fuel every minute, also plans to ground less-efficient jets such as Boeing 737-500s and 767-200ERs.

“We’re actively managing and monitoring the demand environment, looking at the economy and fuel prices as we prepare for the remainder of the year,” Chief Financial Officer Zane Rowe said on a May 19 webcast.

Fuel Prices

The price of oil may cause IATA to cut its industry profit [forecast](#) for the year from \$8.6 billion, which represented a 46 percent decline from a year earlier. The group pared its 2011 forecast from \$9.1 billion in March because of rising fuel costs.

“I’ll just say that there will be a revision,” Bisignani said yesterday, when asked if the forecast would be lowered. “I see that price of oil has not come down.”

The group based its March profit forecast on the assumption that the cost of [Brent crude](#) would average \$96 a barrel. The price has instead averaged about \$111 so far this year as political protests in the [Middle East](#) and North Africa disrupt supplies and growth in [China](#) and India boosts demand.

Fuel will represent 29 percent of airline expenses in 2011, the second-highest proportion on record, and more than double the level ten years ago, [according to IATA](#).

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