



AIRBUS CHIEF DISCUSSES CHINA PRODUCTION STRATEGY

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Airbus will spare no effort to be the dominant player in China, with its president and CEO pledging a personal commitment to the manufacturer's partnerships in the country.

Speaking to the media ahead of the groundbreaking of its A330 completion and delivery centre in Tianjin, the manufacturer's first outside of its European home ground, Airbus chief Fabrice Bergier says he first mooted the idea of the widebody facility two years ago, believing it to be a necessary step to capture China's ballooning demand for larger jets.

With the country's positive long-term economic outlook and the rise of the middle class, demand for air travel both domestically and internationally has boomed. The constraints of pilot shortages and slots availability, he says, also point toward growing use of widebody aircraft.

"So, we are targeting widebodies [in China] and focusing first on the A330," says Bergier.

"We're also looking for partners to make sure A330 production will remain at high levels, and came to the conclusion that we could not do that without also having a strong industrial footprint."

The Tianjin A330 facility is an extension of its collaboration with AVIC and the Tianjin Free Trade Zone. It is adjacent to the its A320 final assembly line, first inaugurated in 2008.

"I am personally committed to this partnership in China," he adds.

LONG, SUCCESSFUL JOURNEY AHEAD

True enough, China signed for 45 A330s when Airbus inked the agreement for the A330 completions line, and later also firmed options for a further 30 of the type. Bregier points out that the 75 A330s are the largest order for widebodies from China thus far. He describes this as "only the beginning of a very long and successful journey".

Once operational in 2017, Tianjin will become the third city in the world to deliver both narrowbody and widebody aircraft, after Toulouse and Seattle. Airbus also intends to extend the line to complete the A330neo and A350 in the future, knowing full well the importance of the market, which absorbs about 20% of its annual aircraft production.

To gain market share where the demand for new aircraft is the world's largest, Airbus knows that it also needs to be "looked at as bringing value to the country". This, the chief explains, means partnering long-term and in areas which are not "industry offsets" – merely producing what it no longer wants to produce in Europe.

"Our competitor is trying to mimic that a little bit, by equipping the cabin of single-aisle aircraft, but it's not really state of the art. The widebody is of course more complicated," says Bregier, taking a dig at Boeing's upcoming collaboration with Comac on a 737 completion and delivery centre in China.

COLLABORATION OR COOPERATION?

He was also quick to add that Airbus will not support the development of a competitor, and affirms that Airbus is "not the one who is collaborating with Comac". The Chinese manufacturer is developing the C919 narrowbody, which is pitched against the A320 and 737.

"In the aerospace world we need to combine both competition and cooperation and that is exactly what we are doing," he says. He says Airbus will not collaborate with Comac "in any way to help them develop a good aircraft." It is willing, however, to cooperate in areas of shared interest, such as bio-fuel research, air traffic management and safety, which are necessary for the development of the market.

Bregier says that while Comac will "clearly not" catch up with Airbus and Boeing in the next five to 10 years, it considers the Chinese manufacturer "a very real competitor". The Chinese airframer, however, must go beyond the delivery of the first aircraft and ensure a successful production ramp up. Then, airline customers need to operate the C919 efficiently. The C919 is scheduled to take its maiden flight this year.

Asked how Airbus intends to deal with the competition, he says: "We will try to make their life as difficult as possible with better products, being more cost effective, and being very reliable with strong support - and also some good Chinese industrial content."

NO WIDEBODY ASSEMBLY LINE...YET

Bregier contends that its A320 final assembly line in Tianjin has played a critical role to grow its China marketshare from 27% in 2004 to the current 50%. He therefore does not rule out the possibility of setting up a widebody production line in the country, but points out that Airbus does not at current have a business case to do so. Widebody assembly, he says, is "more complex and

costly”.

“China has focused, rightly so, on single-aisle a lot and will continue to procure lots of single-aisles, but I’m sure the next step will be getting more widebodies. So perhaps one day there will be enough market to look at such an investment.”

Going forward, Airbus will keep its eye on growing its share in the market. It feels that it offers a full range of products to meet Chinese airlines’ needs. Bregier forecasts that there will be about 2,000 Airbus jets flying in China by 2020, up from the current 1,250.

He concedes, however, that Airbus needs to “progressively convince” Chinese airlines that the A380 will “make them more money”, especially on routes from key Chinese hubs to US destinations. While the procurement strategy of some of these airlines was “more cautious”, he is certain that they will need more A380s on international routes. There are currently only five A380s flying with China Southern Airlines.

“We have to be realistic, we will not get 80% of the Chinese market. Being above 50% is my target. In the coming years there will be new players such as Comac, this is why we support our commercial efforts through this very important [A330 completion centre] investment.”

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