

Business

THURSDAY, NOVEMBER 18, 2021



DUBAI: A visitor sits inside a mock-up business class cabin of Emirates airlines at the 2021 Dubai Airshow in the Gulf emirate, yesterday. — AFP

Delays to Boeing's 777X rile Emirates

'We need all our aircraft and we cannot allow manufacturers to slow us down'

DUBAI: Delays to the certification of Boeing's 777X long-haul aircraft are costing billions and infuriating top customer Emirates, but the US manufacturer is banking on the model as air traffic rebounds. While still in its testing phase, the world's largest passenger jet flew for the first time outside the United States this week at a major air show in the United Arab Emirates.

The blue and white twin-engine aircraft took to the sky, demonstrating sharp turns and rapid ascents at the Dubai Airshow, the industry's first large gathering since COVID-19 clipped its wings last year. It is no coincidence that its first international flight was to Dubai, home to aviation giant Emirates which has ordered 115 of the aircraft.

The Gulf region, with orders from Qatar Airways and Abu Dhabi's Etihad carrier, accounts for two-thirds of the 320 orders placed since the aircraft's unveiling in 2013. But Boeing announced in July that it had spotted additional problems near the nose of the

plane and was working to fix them. A delay for the first deliveries of its new wide-body 777X plane is costing the company \$6.5 billion.

"Boeing has shifted the certification to July 2023 and we had a contracted delivery position for June 2020," Emirates' president Tim Clark told reporters at the five-day event. "It's anybody's guess as to whether or not they will achieve that." The delay has cost Emirates millions of dollars as they upgrade old aircraft to retain them longer.

"To restore our network, we need all our aircraft and we cannot allow manufacturers to slow us down," Clark said. Boeing this week had sought to reassure its main customer on the aircraft's progress to obtain the certification for commercial use.

"We're sitting at about 600 flight tests or 1,700 hours, its performance is coming out very well," Boeing's senior vice president of commercial sales and marketing, Hssane Mounir, said last week before the air show.

'A replacement wave'

Two crashes of Boeing's narrow-body 737 MAX aircraft, which left 346 people dead and grounded the fleet for 20 months, revealed flaws in the design and in the certification process. It returned to the skies last year after a rigorous process to be re-certified by the US Federal Aviation Administration.

"The accidents caused us to reflect on development programmes and what we do," Boeing's vice president of commercial services, Mike Fleming, said at the air show this week. "We're taking those lessons learned on the MAX and extending those on the next development programmes."

The 777X with folding wing tips will come in two variants, the 777-8 and the 777-9, as well as a cargo version to soon be made official. Boeing also says that the newest version planes can save 20 percent on fuel, reducing the carbon emissions which contribute to global warming.

The aircraft's entry into the market at the end of

2023 would come at a time when the industry is expected to have overcome its COVID-induced slow-down. "We tend to see a three-stage recovery, with the wide-body demand being the last to come back, returning in approximately 2024," said Boeing's director of product marketing, Tom Sanderson, during a virtual briefing before the air show.

"We're starting to get into what we sometimes refer in industry as a replacement wave, a lot of large wide-body aircraft are going to begin to retire and we'll continue to see growth in the number of retirements well into the 2030s."

Global air traffic has started to bounce back from the worst of its pandemic decline, though in October it was still around half the level before the global health crisis idled aircraft. But according to the International Air Transport Association, global traffic is expected to double by 2050 from its pre-pandemic levels, with Boeing saying they expect approximately 7,700 new wide-body aircraft will be needed by 2040. — AFP



WASHINGTON: This combination of pictures shows US Undersecretary of State Lael Brainard and US Federal Reserve Chairman Jerome Powell. — AFP

Biden says will announce Fed chair in 'four days'

NORTH WOODSTOCK: President Joe Biden said Tuesday he will make a hotly awaited announcement on who will head the US Federal Reserve likely by the start of next week. "You're gonna hear that in about four days," Biden told reporters during a trip to New Hampshire. The White House has been tight lipped about Biden's intentions for the central bank's top job, a crucial position for the US and international economies as the globe tries to emerge from COVID pandemic disruption.

Some bets are on Biden reappointing Jerome Powell, a Republican who has won praise from officials in the current Democratic administration. However, Biden is also under pressure from the influential leftist wing of his party to pick Lael Brainard, whom backers believe would be tougher on banking regulation.

Regardless of whom he chooses, economists say the central bank is unlikely to shift its policies anytime soon, as a wave of inflation hampers the economy's recovery from the pandemic downturn and sends Biden's approval rating slumping.

Under Powell, the Federal Reserve has been at the center of the country's response to the pandemic, slashing its benchmark lending rate to zero and pledging to keep it there for longer than normal to help the economy regain maximum employment. — AFP

GM factory launch ushers in Detroit's EV pickup campaign

NEW YORK: General Motors took a leap yesterday towards its much-touted "all-EV" future when it officially opens its first electric pickup truck factory. The auto giant will unveil Factory Zero, a 36-year old plant in Hamtramck, Michigan that has been retrofitted for electric vehicles (EV), commemorating the occasion with President Joe Biden.

The celebration at the Detroit-area plant comes ahead of initial commercial deliveries of the GMC Hummer Pickup, the first EV pickup by a Big 3 company as Detroit attempts to extend its dominance in the lucrative US truck market amid challenges by Tesla and newer upstarts. The EV Hummer pickup is the first of a spate of behemoths from Detroit's legacy carmakers going electric. Ford has unveiled an EV version of its top-selling F-150 pickup, while Chrysler owner Stellantis announced plans for an EV Ram pickup truck as part of a growing fleet.

It's been an accelerated push on the part of legacy companies in the wake of competition not only from Tesla, but from EV startups like Rivian that have soared recently on Wall Street. With lofty profit margins, pickups are a proven cashcow for automakers, in part because of reliable demand from businesses such as construction and energy companies, as well as government buyers now under pressure to reduce their carbon footprint.

While Detroit can bank on EV pickup sales to such organizations, just how well the vehicles will resonate with rank-and-file consumers remains less clear. "The question is, who is that electric pickup buyer?" said Michelle Krebs, a longtime analyst at Cox Automotive, who expects the Detroit giants to continue to build trucks with internal combustion engines.

"Initially it's just a sliver of the overall truck capacity," she said of EVs. "They're not betting the firm on EV pickup trucks. They're starting out slowly." The market's trajectory will also depend on the evolution of transportation in the United States. EVs are currently about three percent of new sales. The \$1 trillion infrastructure bill signed by Biden into law on Monday includes \$7.5 billion for new EV charging stations.

Bread and butter

It is difficult to overstate the importance of trucks—especially pickups—to Detroit auto giants, with profit margins widening as consumers have opted to fill the vehicles with premium gadgetry and creature comforts. In the decade up to 2019, the average transaction price for full-size trucks rose more than 40 percent to nearly \$50,000, according to a report from Edmunds.

Pickups comprised one-fifth of the US market in 2020, a number expected to fall in 2021 due to the semiconductor chip shortage. "They've really been the bread-and-butter for the Detroit auto companies," said Jessica Caldwell, executive director of Insights. "So they really can't afford to have someone swoop in and as the market produces electric vehicles, put them out of business."

Listing at \$112,000, the initial Hummer pickups are more than twice the price of current best-selling pickups and expected to be a niche product. Other EV pickups coming soon will also sell for far less. In rebooting the Hummer, a hulking vehicle detested by environmentalists after its 1990s launch as a symbol of American excess, GM aims to scramble assumptions about its corporate identity and what makes an EV an EV.

Rather than its climate-friendly qualities, GM's marketing around the Hummer emphasizes the "Supertruck's" off-road prowess, sleek interior design and state-of-the-art driver-assistance technology. The tank-like exterior harkens back to old Hummer's massive silhouette, but designers also emphasized the blue lighting effects when the vehicle is charging and the auto's spiffy jet black and gray color combination that are "more high fashion than traditional truck," said Rich Scheer, director of design for the GMC vehicle.

Scheer characterized the traditional pickup buyer as a "pretty conservative group," but predicted such consumers would "fall in love" with the way the trucks handle. Buyers will mostly want assurance about issues such as range anxiety and how long a charge will last, Scheer said. Using the vehicles for towing or other heavy duty will require more frequent charging.

GM initially estimated the vehicle could go up to 350 miles or more on a single charge, but hasn't released a final figure. The company has not disclosed total orders, though company officials say the first edition of the vehicle is completely sold out and years worth of Hummer production is planned. — AFP



Luis de Guindos

ECB slowing vaccine tempo as risk to financial stability

FRANKFURT: Low vaccination rates in some parts of the world are a future risk to financial stability, the European Central Bank said in a report yesterday, while the recovery from the pandemic has eased pressure on the economy.

The economic rebound from the coronavirus in the eurozone had "reduced many of our worst fears about economic scarring," ECB vice-president Luis de Guindos said in a statement. But the "risks stemming from the pandemic have not disappeared entirely, not least because vaccination progress has remained slow in many areas of the world," de Guindos said in the foreword to the ECB's Financial Stability Review.

Widespread vaccination in Europe, where 64.9 percent of the population has received two doses of the vaccine, had also reduced the continent's exposure to more shocks from the virus into 2022. Yet uncertainty about the future course of the pandemic and the limits it might place on economic activity meant it remained "one of the main risks to economic growth", the report said. At the same time, global supply bottlenecks and a sharp rise in energy prices on the continent had created new stresses for firms, producing a more sustained rise in prices that could "weigh on the economic recovery", according to the report.

The ECB also noted the risk of "pockets of exuberance" in credit, asset and housing, making the markets vulnerable to a correction, and the "high debt levels in the corporate and public sectors as a legacy of the pandemic". — AFP