

THE GLOBAL EDITION OF THE NEW YORK TIMES

FRIDAY, SEPTEMBER 18, 2009 | 17

Business WITH REUTERS

Airbus sees healthy rise of jet orders in long term

PARIS

BY NICOLA CLARK

While the world's airlines will continue to suffer steep financial losses in the short term, Airbus predicted Thursday that demand for new aircraft would remain healthy over the next 20 years, based on expectations of steady air traffic growth in the developing world and the rapid expansion of low-cost carriers.

The company, the plane-making unit of European Aeronautic Defense & Space, forecast that airlines would buy nearly 25,000 new jets through 2028, with a market value of \$3.1 trillion. That represented an increase of 2.7 percent from its previous forecast in February 2008, when air carriers were reeling from the initial brunt of the global economic crisis.

Airbus, which expects to secure orders for around 300 planes this year, also said the steep decline in world air traffic would probably stabilize in 2010 and could rise by as much as 4.6 percent — not far from the average 5 percent growth over the past 30 years. It forecast a decline in 2009 traffic of 2 percent to 4 percent.

"Air transportation is a growth industry and an essential ingredient in the world economy," said John Leahy, the chief salesman for Airbus.

The International Air Transport Association said Wednesday that it expected the world's airlines to lose a combined \$11 billion this year on top of a \$16.8 billion loss in 2008. But despite those hefty losses, Mr. Leahy said Airbus had seen relatively few order delays and cancellations.

"A lot of people have talked about massive cancellations in the recession, but that's not really true," Mr. Leahy said at a presentation in London. He said Airbus had received fewer than 40 cancellations this year, less than 1 percent of the company's order backlog of around

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3,600 planes. Still, he acknowledged that many customers were having difficulty securing financing and had postponed deliveries — some by several years.

"I think it's going to be a difficult winter," Mr. Leahy said, noting that while airlines had managed to fill most of their seats during the peak summer travel season, many had cut fares, leaving them with less cash.

"At some point, we see a continuation of some requests for deferrals, but even that is already included" in the 20-year forecast figures, he said. He declined to specify how many orders had been delayed so far.

The company's U.S. rival, Boeing, has at least 64 order cancellations this year, almost all of them for its forthcoming 787 Dreamliner, which has been delayed more than two years by production snags.

Analysts have warned that the ballooning industry losses are almost certain to lead to additional delays and cancellations of orders in the months to come. Without steep cuts in production by both Boeing and Airbus, that could lead to significant surpluses of aircraft on the market, which could weigh heavily on jet prices. Analysts at UBS forecast last month that there would be a global surplus of 1,400 commercial jets by the end of this year.

"We're still very cautious," Mr. Leahy said by telephone, though he insisted that global overcapacity currently stood at no more than 350 planes. "Right now, there is more downside risk than upside potential."

Airbus said it continued to see the greatest demand for passenger planes in the Asia-Pacific region, particularly in China and India. Asia was expected to account for 31 percent of new aircraft sales over the next two decades, followed by Europe, with 25 percent, and North America, with 23 percent. Sales in Europe and North America will largely be driven by the need to replace older, less fuel-efficient fleets, as well as by the continued expansion of low-cost carriers, which currently represent about a fifth of all seats sold.

The 20-year forecast from Airbus compared with one published by Boeing in June, which predicted sales of 29,000 commercial planes over the same period, down from a 2008 estimate of 29,400 planes.

Aeroflot to cut 2,000 jobs

The Russian state-controlled airline Aeroflot said Thursday that it planned to cut up to 2,000 jobs as profit plunged. The Associated Press reported from Moscow.

Irina Dannenberg, an Aeroflot spokeswoman, said the cuts would occur within the next six months and would amount to 13 percent of the work force for the airline, the largest Russian carrier.

The company's net profit fell 88 percent in July, to \$37 million, from a year earlier.

For gourmet tea merchants, recession has no bite

SINGAPORE

Despite economic crisis, sellers of liquid luxury plan for global expansion

BY SONIA KOLESNIKOV-JESSOP

The global economic crisis may have dampened the appetite for high-end goods, but one small daily luxury — gourmet tea — has been posting surprisingly strong sales, prompting some tea brands to consider expanding around the world.

Their offerings have poetic names like Silver Moon, Emperor's White Garden, Gout Russe Douchka and Sakura, Sakuragi, which reflect the wide range of exotic flavors, attracting an almost religious following among tea lovers. While the rarest teas, like yellow teas, can cost \$2,120 a kilogram, or 2.2 pounds, gourmet teas cost 30 percent more than standard teas on average, making them an affordable luxury for many.

"There is definitely no crisis when it comes down to gourmet tea; our sales have been increasing every year by 15 to 25 percent ever since we started in 1987," said François-Xavier Delmas, founder and chief executive of Le Palais des Thés in Paris.

He said the privately owned French company posted annual revenue growth of 19 percent in 2007-8, with sales of €9.66 million, or \$14.2 million.

Le Palais des Thés' experience has been similar to that of other luxury tea brands, as well as specialist retailers.

"Demand for quality products has remained strong," said Mark Daley, chief executive of Dean & DeLuca, a gourmet retailer based in the United States. "People are enjoying more time together, more time sharing with friends, more time home entertaining."

Marriage Frères, a French merchant of exclusive teas, is opening a boutique in Hamburg in November and another in Munich in December. It plans to expand to London in 2010 and then to New York and China.

Its director, Philippe Cohen-Tanugi, said the company, which posted revenue of €50 million in 2008, could grow much faster if it developed a franchise network, something it declined to do.

"Believe me, so many have called us for that, we could have opened a store a month and become a 'Tea Starbucks,'" he said, "but our rules of management have remained unaltered since 1983: complete integration and central decision taking in order to keep full control on the Marriage Frères image and identity."

Dammann Frères, another French gourmet tea company, which sells about 800 tons a year, used to offer its teas only through businesses like delicatessens and luxury hotels, but last year it started to market itself to retail customers, opening its first tea boutique in Paris. Since then, it has opened three boutiques in Japan and is considering a second in the French capital, while also considering London, said Pierre Merlançon, marketing manager at Dammann Frères.

One of the most aggressive players is a new entrant to the market. TWG Tea, based in Singapore, has managed in two years to expand its annual sales from nothing to 650 tons while also securing



TWG Tea started in Singapore, above, two years ago and, like other merchants, has tapped a growing demand for gourmet tea. Below, a tasting room at Le Palais des Thés in Paris.

shelf space at Dean & DeLuca and arranging for its tea to be served in Singapore Airlines' first-class cabins.

TWG Tea has big ambitions and the financial muscle to support them. One of the company's founders is Manoj Murjani, whose grandfather, B.K. Murjani, started the first designer jeans brand, Gloria Vanderbilt, in 1976.

Manoj Murjani, the chairman of TWG Tea, was responsible for starting the Tommy Hilfinger brand in 1985, picking up on the need for more casual work wear when I.B.M. announced one of the first "casual Friday" policies.

"When my father and grandfather created Gloria Vanderbilt, there was only Levi's and Wrangler; no jeans to fit a woman's body," Mr. Murjani said. "And when we launched Tommy Hilfinger, you already had well-established brands like Ralph Lauren and Calvin Klein, but we felt there was an opportunity in the market to bridge a gap between weekend polo shirt and work shirt. For tea, it's the same. We're not the first, but we believe we're creating a new category: not just gourmet tea but luxury tea."

Mr. Murjani said he decided to invest \$10 million to found TWG Tea with four partners after an investment he made in a small tea company gave him a sixfold return within 18 months.

"We're really going for the high end of the market, and we're thinking big and we're starting big," he said.

TWG Tea, with one boutique in Singapore, is opening a second one there in October, then its first in Japan and one in the Middle East in the first quarter of 2010. There are also plans for a shop in New York next year, in addition to a counter at a Dean & DeLuca store in New York.

The company has a strong eye for



FRANCK BELONCLE/LEPALAIS DES THÉS

marketing, positioning itself as an innovator with seasonal creations and developing beautiful, elaborate packaging. TWG teas start at \$4.20 for 50 grams, or 1.76 ounces.

As with other specialist tea merchants, it aims to offer a large range of distinctive blends including White House Tea, a pai mu tan white tea from Fujian, China, blended with red berries and rose petals, created to celebrate the presidential inauguration of Barack Obama.

Gourmet tea remains very much a niche segment of the overall tea market,

which has grown steadily in recent years as a category among drinks, largely because of tea's perceived health benefits, market analysts said.

According to data from the United Nations Food and Agriculture Organization, world tea consumption increased to 3.75 million tons from 2.95 million tons from 2003 to 2007, the latest available data.

Data from IBISWorld, an industry research company, show that tea consumption in the United States is on the rise, but it is still only the sixth-most popular drink (not including tap water),

after soft drinks, bottled water, beer, milk and coffee.

Specialty and gourmet tea is a fast-growing segment within the tea industry, and in the United States it is estimated to account for 8.5 percent of the \$2.1 billion in sales in 2009.

"The growth in the number of specialty tearooms in the U.S., which is estimated to total over 2,600, has further stimulated demand for gourmet and specialty tea products," IBISWorld wrote in a research note. "Similar to cafes, these establishments are changing the landscape of tea consumption to become a more social occasion."

Even though tea consumption has been more strongly identified with the British, French companies have had a stronghold on the gourmet tea market for the past 20 years.

"I think that's because unlike the British that are very used to drinking tea, the French had no preconception about tea; they are willing to experiment," said Mr. Delmas, of Le Palais des Thés.

Mr. Cohen-Tanugi of Marriage Frères said, "The French drink the widest range of teas in the world, bringing the same attention and connoisseurship to the choice of the right tea as they would the proper wine."

Milton Pedraza, chief executive of the Luxury Institute, a market research company in New York, said he believed that many tea suppliers had seen tea as a mass-market commodity and sold it that way, leaving space for entrants at the high end of the market.

"With the growing popularity of tea, there is an opportunity to differentiate at the top level, even in these challenging economic times," he said.



Powering up Chancellor Angela Merkel of Germany, with the e-tron electric concept car from Audi, at public opening of the Frankfurt auto show Thursday.

Swiss bankers offer tax proposal

ZURICH

REUTERS

Swiss bankers on Thursday called for the introduction of a broad withholding tax on earnings generated by foreign investors, a move aimed at ending international pressure on bank secrecy.

"The model would generate tax revenues while respecting the privacy of bank clients and it would represent an efficient alternative to a system of automatic information exchange," Urs P. Roth, chief executive of the Swiss Bankers Association, said at a news conference.

Mr. Roth said the tax system would cover dividends, income from collective investments and capital gains. It would apply to private individuals as well as legal entities, and be broader than a planned new European Union savings-tax directive. It eliminates the risk of

criminal prosecution or civil sanctions, the banking association said.

Switzerland's bank secrecy laws have come under attack by Western countries in the wake of the financial crisis and Bern had to make concessions to avert international sanctions.

A U.S. tax investigation of UBS, the largest Swiss bank, this year led the government and UBS to agree to disclose thousands of client names to end litigation.

Switzerland, the world's biggest banking center for foreigners, opposes automatic sharing of account and client data with foreign tax agencies, fearing that such an arrangement would kill its already weakened bank-privacy laws. But it agreed in March to cooperate more on tax evasion with other governments.

The E.U. already has a withholding tax agreement on interest payments made to its citizens' accounts in Switzerland.

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