Upgraded Airbus plane to roll out of Tianjin plant

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Employees work on an Airbus SAS A320 airplane at the company's plant in Tianjin.

AVIATION

Airbus SAS will start assembling the A320neo, the new engine version for its best-selling single-aisle aircraft, in the northern Chinese port city of Tianjin after 2016, a top company executive said on Thursday.

The European company and the Chinese side signed a framework agreement in August to continue cooperation in the project beyond its current business plan, which is due to expire in 2016.

"We are now talking about the second-phase business plan, and the factory will mainly assemble the A320neo after 2016," said Eric Chen, CEO and president of Airbus China.

The Tianjin factory is Airbus' first aircraft final assembly line outside Europe. The plant, in which a Chinese consortium holds a 49 percent stake, delivered its first A320 in June 2009 and has so far rolled out 118 aircraft.

"The experience we gained through cooperation during the first-phase business plan will ensure successful partnership in the next phase," Chen said.

The A320neo, scheduled to enter service in late 2015, is a revamped A320 with new engines and boasts fuel savings of up to 15 percent. It has received 2,050 orders globally, including 20 placed by ICBC Financial Leasing Co Ltd in August 2012.

"I am sure we will see new orders for the neo this year from Chinese airlines. Our Chinese clients have showed huge interest in this product," Chen said.

Airbus is expected to deliver more than 100 planes to China this year. The Toulouse-based company delivered more than 100 new jets to China annually in the past three years, which account for more than 20 percent of its global production, he said.

Its US rival Boeing Co also plans to increase deliveries to China. Boeing will deliver more than 120 planes to Chinese airlines this year, an increase of 60 percent year-on-year, Boeing China President Marc Allen said earlier this month.

Chinese carriers currently operate 891 Airbus planes, accounting for 49 percent of the total Chinese fleet of aircraft with more than 100 seats. Boeing still controls 51 percent of the market. Airbus sold its first plane to China in 1985, while Boeing had a 13-year head start.

"Back in 2004 we set a target to grab 50 percent of the Chinese market by 2014. We are now very close to that," Chen said.

"I am sure we will see new orders for the neo this year from Chinese airlines. Our Chinese clients have showed huge interest in this product."

ERIC CHEN
CEO AND PRESIDENT OF AIRBUS CHINA

"For the next 10 years, we want to be the true industry leader in China, not a follower," Chen said, adding that a key indicator will be controlling more than half of the Chinese market.

China's passenger air traffic grew 9.2 percent in 2012, according to the Civil Aviation Administration of China, the industry watchdog. That growth rate was almost the same as in 2011 and much less than the double-digit growth witnessed over the past two decades. CAAC has set a target of 9.4 percent passenger air traffic growth for 2013.

But Chen said the single-digit growth rate is "normal".

"A 9.2 percent growth rate is already a remarkable number if you consider the much bigger base we have now," said Chen.

China had a total fleet of 3,238 civil aircraft by the end of 2012. But back in 1992, the country only operated about 600 planes.

"The growth of Chinese civil aviation has turned from quantity to quality-oriented," Chen said.

Chen, who took the helm of Airbus' operations in China in January, said air traffic management and a shortage of pilots will be the two bottlenecks constraining further growth of China's civil aviation sector in the coming decade.

"Airbus will look for opportunities to cooperate with China in these two areas," Chen said. But he declined to elaborate, only saying that new plans are likely to be announced "in the next few months".

Boeing and Commercial Aircraft Corp of China — also known as COMAC — announced last month that a joint technology center has been established to conduct research projects on China's air traffic management.

The center will work with Nanjing University of Aeronautics and Astronautics, which hosts the National Key Laboratory of Air Traffic Flow Management Technology, on the development of an air traffic decision support system to optimize in-bound air traffic flow at airports.

"With the increasing demand for air transport and growing environmental concerns, air traffic management plays a key role in the healthy growth of air transport capabilities," said Wang Guangqiu, vice-president of COMAC's Beijing Aeronautical Science and Technology Research Institute.

Decathlon to team up with Vanke on China expansion

By LI WOKE
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Decathlon, the French sports goods chain, signed a strategic alliance with real estate giant China Vanke Co Ltd on Thursday in a bid to further penetrate the country's lower-tier markets.

DEALS

Under the contract, Decathlon will rent or buy properties in Vanke's commercial projects in second- and third-tier Chinese cities such as Foshan and Dongguan to open its new stores.

"It's a win-win situation for both parties. Decathlon can lower their costs on finding good store locations, and Vanke has a famous brand to lease their property," said Wang Hongtao, a press officer and industry expert from the China Chain Store and Franchise Association.

Wang said cooperation between retailers and real estate giants is very popular, a recent example being between French retail giant Carrefour SA and property developer Dalian Wanda Group Co Ltd.

Decathlon said that it plans to triple its number of Chinese stores and make the country its third-largest global market.

Bertrand Tison, vice-president of Decathlon China, said the firm is targeting 150 stores in around 100 Chinese cities by 2015, with most being planned in second- and third-tier cities.

"Around a third of our China sales come from first-tier city stores, but smaller cities will be the drivers of our growth," Tison said.

He added that Decathlon will follow Vanke's steps to further enter cities in western China.

Founded in 1976 in France, Decathlon opened its first store on the Chinese mainland in 2003 and now has 57 outlets.

Tison said China is now its fourth-largest market after France, Spain and Italy, but it plans to move that to its third in the next five years.

Guo Hongchi, chief executive of xijie.com, a leading e-commerce portal for sports goods, said: "Many Decathlon items are between a third and a quarter the price of international counterparts, but with almost the same quality. That makes it very competitive in smaller cities."

Decathlon stores generally cover large areas of around 4,000 square meters. They have shop-front basketball courts or swimming pools, and other in-store sections include areas for badminton and fishing, where customers can play for free.

Its two largest Chinese stores are in Beijing and Wuhan, covering an area of more than 6,000 square meters. The Wuhan outlet has shop-front basketball and tennis courts, and in-store playgrounds including a 60-square-meter golf range.

"We hope customers can enjoy sports while shopping, and then revisit our stores either for goods or for fun," said Qin Shuang, the manager of the Wuhan Decathlon store.

Guo Zengli, president of the China Shopping Center Development Association, said the company has a good future in China because of its careful market research.

"There's still a lot of room in lower-tier Chinese cities, which international sports brands still have to penetrate," Guo said.

CHENGDU FORTUNE

'Ecosystem' plays pivotal role in city's IT success

By ZHENG YANGPENG in Beijing
and LI YU in Chengdu

PROVIDED TO CHINA DAILY

A bird's eye view of the Chengdu Tianfu Software Park. The city has cashed in on its huge talent pool to develop its high-tech industry, and has become a major software industry hub in China.

Li Jianfan, general manager of Teleca (China), often feels that he is in the epicenter of China's software service industry.

The Chengdu branch of Huawei Technologies Co Ltd is next door to his company.

HI-TECH

Across the street is the ZTE Corp building. Both Huawei and ZTE are emerging global cellphone giants.

Li also routinely meets his clients and managers from the same industry in the numerous salons and conferences held within the Chengdu Hi-tech Zone.

Teleca is a supplier of software solutions and engineering services to the mobile industry. Originally from Sweden, it now has more than 2,000 employees in 11 countries worldwide. Its clients are cellphone brands such as Nokia Corp, Sony Mobile Communications AB (formerly Sony Ericsson), Microsoft Corp and Motorola Mobility LLC.

In 2005, Nokia, one of Teleca (China)'s major clients, decided to open its regional headquarters in Chengdu's Tianfu Software Park. Teleca (China) followed Nokia to Chengdu.

"As a software service provider, we have to be where our clients are," Li said.

Like Teleca (China), thousands of companies have followed their main clients to Chengdu, capital of Sichuan province. Chengdu is now home to 234 Fortune 500 companies. In the IT sector alone, the world's largest multinationals such as Intel Inc, Dell Inc, Lenovo Group Ltd, Foxconn Technology Group, Compal Electronics Inc and Wistron Corp have set up their operation in the city.

Li said that after he moved in, he came to realize that Chengdu was the perfect choice for his company. Numerous colleges and universities in Chengdu produce thousands of skilled and relatively cheaper employees every year. Li estimated the worker cost in his industry is 20 to 25 percent of workers in Beijing and Shanghai.

Besides, as Chengdu grew to be a major software industry hub in China and the multinationals there matured, they cultivated many experienced software engineers and managers, which could be hired by Li's company.

Xiong Jie, a manager of ThoughtWorks, a software outsourcing company, also feels the benefit of Chengdu's quality talent pool.

"Thirty-five out of 50 employees we currently have are from Chengdu. They are intelligent and diligent," said Xiong. He himself was attracted to Chengdu after working in a Beijing software company for several years.

Both Xiong and Li said they are grateful to the zone's effort to organize collective hiring program. With just a few thousand yuan, their companies could join campus recruiting as well as fly to Beijing, Shanghai and Shenzhen to hire workers. Organizing their own campus hiring campaign individually could cost them much more money.

Xiong and a number of IT companies China Daily interviewed said being in the "ecosystem" is very important for them, so much so that it is like breathing air.

"They (my colleagues) can talk to each other. They can communicate with each other. They can learn from each other," Xiong said.

"The zone organizes communication events every week. For example, in the mobile tech conference, we can easily talk to people in Tecent."

For Xiong, another important reason for him to select Chengdu was its visionary officials.

"Before we decided (to move into Chengdu), we talked to the officials of Chengdu, as well as other cities. I figured out that they (Chengdu officials) have a vision of the global economy and the IT industry. They understand how to encourage enterprises to be innovative."

Li said his next goal is to develop domestic cellphone giants such as ZTE and Huawei to be his clients. Those companies' fast growth could boost his business.

"They are so close to us. I think we can grow together," Li said.

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A FIRST-CLASS HI-TECH INDUSTRIAL DEVELOPMENT PARK

Approved by the State Council, China's cabinet, in 1991, the Chengdu Hi-tech Zone is one of the first State-ranked hi-tech industrial development zones, and one of six pilot zones of "The World's First-Class Technology Park Initiatives" sponsored by the Ministry of Science and Technology.

With a planned area of 130 square kilometers, the zone is divided into a south and a west park. There are 29,163 companies registered in the zone. Among them nearly 1,000 are companies with investments from foreign firms, including more than 100 Fortune 500 companies, and also companies with investments by other well-known international corporations.

Altogether more than 500 companies have been certified as high-tech enterprises. The project ranks fourth among China's national hi-tech zones.

The zone focuses on R&D and manufacturing of high-tech products. The microelectronics-oriented IT industry, including software, the TCM-centered bio-pharmaceutical industry, and the precision machinery manufacturing industry feature advanced technologies and are its three pillars.

The zone also attaches great importance to the development of modern food processing techniques, new materials, environmental protection, scientific and technological consulting and venture capital.

The software industry is one of the fastest-growing industries in the zone. The software sales revenue of the zone reached 50 billion yuan ($7.95 billion) in 2011, while exports of software products and business process outsourcing, or BPO, reached $350 million, including embedded software and some test and assembly services.

There are about 100,000 employees working for more than 800 software and BPO companies. The software industry in the zone covers service outsourcing, information security, digital entertainment, and industrial applications, with representatives ranging from IBM, Microsoft, Symantec, Intel, Accenture, Tencent, to Kingsoft, 30 Group, and Synnex.

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