

الأمارات

Bright prospects

The partnership between the United Arab Emirates and Boeing offers significant opportunities for both. **By Bill Seil**

United Arab Emirates at a glance

Location: Middle East, bordering the Arabian Gulf, the Gulf of Oman, the Arabian Sea, Oman, Saudi Arabia and Qatar

Area: 32,278 square miles (83,600 square kilometers)

Estimated population, 2009: 4.8 million

Major cities: Abu Dhabi (capital), Dubai

Gross domestic product, 2008: \$184.3 billion (U.S.), ranked 56th in the world

GDP growth rate, 2008: 7.4 percent

Main export partners: Japan, South Korea, Thailand, India

Source: CIA World Factbook

The United Arab Emirates (UAE), a nation of 5 million people on the eastern border of Saudi Arabia, has experienced rapid modernization since its founding in 1971. While abundant oil reserves fueled its recent development, the country is pursuing a visionary diversification strategy that includes aerospace manufacturing and growth as a commercial aviation hub.

The UAE is a major market for Boeing's commercial and military products and services. Boeing also has much to offer the UAE, and business opportunities are expected to grow as the company helps the UAE realize its economic development plans.

Paul Kinscherff, president, Boeing Middle East, and based in Dubai, noted the country is geographically at the crossroads of Europe, Asia and Africa.

"If you look at a map and draw a circle around the UAE, it's clear how strategically located it is," Kinscherff said. "As a consequence, with strong leadership and effective policies, the UAE has emerged as a key global transit hub and a leading player in regional affairs. Its prospects are bright, and Boeing is exceptionally well positioned to support the UAE's growth and diversification strategy."

Demand in the UAE for commercial airplanes remains high. The nation's two largest airlines, Emirates Airlines and Etihad Airways, are respectively based in the fast-growing cities of Dubai and Abu Dhabi, the UAE's capital. Both airlines are increasing their long-range twin-aisle fleets as they expand to new destinations around the globe.

Low-cost startup flydubai, based in Dubai, launched its fleet in 2008 with an order for 50 Next-Generation 737s. The airline was created to provide regional service in and out of Dubai, where passengers can transfer to long-range flights.

GRAPHIC: The Arabic script that runs across this collection of stories means "Boeing in UAE."
PHOTO: All lined up and everywhere to go: Boeing 777s predominate in this nighttime shot at Dubai International Airport. Emirates is the world's largest 777 operator. **EMIRATES AIRLINES**

بوئينغ في

“The UAE’s vision, wealth and location make it a very important commercial and military market for Boeing.” – Shep Hill, president, Boeing International

The UAE has a strong relationship with the United States, including important military ties. Boeing Integrated Defense Systems opened its office in Abu Dhabi in 1999 and provides military products to the UAE armed forces. Its first sales contract was for AH-64 Apache helicopters in the 1990s. In February, the UAE announced its intent to acquire four C-17 military transport aircraft. The UAE government is also considering the 737 Airborne Early Warning and Control aircraft, as well as a number of other products and sustainment capabilities.

The importance of the UAE as an aerospace player in the Middle East and around the world is underscored by this month’s Dubai Air Show, which many aerospace professionals regard as a “must attend” event.

While UAE leaders have dramatically grown the UAE economy in a short period of time, they are intensively pursuing opportunities to further reduce petroleum as a percent of gross domestic product to well under 50 percent. In aerospace and related technology, diversification efforts are being driven by a number of organizations that have achieved global recognition, including the Mubadala Development Co., Dubai Aerospace Enterprises, Thuraya Satellite Telecommunications Co., Emirates Advanced Investments and the Masdar Institute of Science and Technology, to name just a few.

“The UAE is small in population but large in vision and potential,” said Shep Hill, president, Boeing International.

“Its leadership is focused and has an ambitious strategy for the future. The UAE’s vision, wealth and location make it a very important commercial and military market for The Boeing Company.”

Hill and Kinscherff emphasize that Boeing’s ultimate success in the UAE will depend on its commitment to helping the country achieve its goals. Growing nations are more inclined to buy products from corporations that act as friends and partners, and who have a significant local presence.

While Boeing faces strong competition from Europe-based Airbus and its parent, EADS, the company has an aggressive strategy for contributing to the UAE’s success. Boeing is looking to strengthen business alliances within the country and is exploring opportunities to help the UAE develop capabilities as a regional aerospace provider, Hill said.

For example, Boeing could support the UAE as it develops research and development facilities. The oil-rich country is well-positioned to develop expertise in the creation of new composite materials.

The UAE is also interested in developing the skills and expertise of its people. While many of its professionals were educated in other countries, the UAE is working to expand its own system of higher education. It is also seeking Boeing’s help in strengthening business leadership throughout the nation.

“We have a multifaceted strategy in the UAE that goes well





A nation on the move

The United Arab Emirates (UAE) consists of seven “emirates,” which operate under a federal government system. The president of the UAE is Sheikh Khalifa bin Zayed Al Nayhan, who is also the ruler of the emirate of Abu Dhabi, the nation’s capital. The vice president and prime minister is Sheikh Mohammed bin Rashid Al Maktoum, who is also the ruler of the emirate of Dubai.

The UAE government is continuously innovating and evolving new methods of simplifying its business environment. The World Bank recently ranked the UAE 14th in its index measuring countries’ achievements in regulatory reform. The population of the country consists of many nationalities. While Islam is the UAE’s state religion, the government follows a policy of tolerance to other religions and cultures.

The nation has a growing tourism industry with numerous resorts, attractions and sporting events that draw visitors from around the world.

beyond export sales,” Kinscherff said. “In addition to providing the right products and outstanding services to our customers, Boeing is actively working to help the UAE expand aerospace and human development through broad industrial engagement and good corporate citizenship.”

Kinscherff said the company’s outreach includes government ministries, economic development agencies, universities, educational institutions and social service providers.

In 2004, Boeing and the UAE Higher Colleges of Technology signed a memorandum of understanding to collaborate on leadership development. Separately, Boeing supports the Emirates Environmental Group’s “Environment Across the Curriculum” program, which provides workshops to 200 teachers in environmental education. In addition, Boeing funds Junior Achievement programs in the UAE and across the region, and is additionally supporting the establishment of education Resource and Development Centers in which a “Start Early” program assists UAE parents, teachers and caregivers to maximize the potential of young children.

Jeff Johnson, IDS director of business development for the Middle East and Africa, said Boeing in recent years has increased its share of defense sales to the country. This has been made possible by building strong enterprisewide relationships with the UAE leaders, offering products and services that meet UAE requirements, and making a commitment to partnering with the UAE’s investment holding groups.

“Our level of commitment to the Emirati economy is significant and continues to expand,” Johnson said. “The UAE is making an investment in its people’s future and it wants to know that its industrial partners play a major role in that effort.”

Juma al Dhaheri, IDS business development lead in Abu Dhabi, has played a key role in raising the IDS profile in the country. A UAE national, Al Dhaheri is a former armed forces helicopter pilot and military attaché. He said customers in the UAE generally think of Boeing as one company rather than separating the military and commercial operations.

With one of the world’s most modern and well-equipped armed forces, the UAE is expanding its defense capabilities, Johnson said. This could be based on Vigilare integrated air battle management capability, which Boeing debuted earlier this year at the International Defense Exhibition and Conference in Abu Dhabi.

PHOTO ILLUSTRATION: An Etihad Airways 777-300ER (Extended Range) flies over the Abu Dhabi skyline. Abu Dhabi is the country’s capital and Etihad’s home base.

BRANDON LUONG/BOEING; AIRPLANE PHOTO: ED TURNER/BOEING, SKYLINE PHOTO: SHUTTERSTOCK.COM





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The UAE is Boeing Commercial Airplanes’ largest customer in the Middle East—a region that is expected to need more than 1,700 new airplanes over the next 20 years. Marty Bentrott, Commercial Airplanes vice president of sales for the Middle East, Central Asia and India, said the worldwide economic downturn has affected the Middle East, but not to the same degree as other areas of the globe.

“The UAE is the largest long-term market opportunity for us within the region,” Bentrott said. “Emirates and Etihad are going to continue to grow and be competitive on a worldwide basis. I think you’ll find that with their strategy and level of service, they’ll be challenging a lot of the large legacy airlines on a global basis.”

The nation’s ambitions to partner in the development of commercial airplanes manufacturing and services creates an excellent opportunity for Boeing, Bentrott said. He envisions a day when UAE industries could supply, for example, composite parts for next-generation airplanes.

Freighters are another market opportunity. Both Emirates and Dubai Aerospace Enterprise Capital have ordered the 747-8 Freighter.

“In the low-cost-carrier arena, flydubai is a real success story for us because of its decision to go with 737-800s and, possibly, 737-900ERs [Extended Range],” Bentrott said. “This was a significant order for us, not just in terms of flydubai and the UAE, but the potential it symbolizes in the region.”

In addition to the airline market, Boeing Business Jets has a long-standing presence in the Middle East.

“The United Arab Emirates has been, and continues to be, one of the most important markets for Boeing’s business jet product line,” said Steve Taylor, president of the Boeing Business Jets program. “Its potential has grown as the market has expanded to include our twin-aisle products.”

Taylor said Boeing Business Jets has the right product mix for the Middle East market. This extends from the range capability of its large single-aisle BBJs to VIP versions of the twin-aisle 767, 777, 787 and 747-8 Intercontinental.

Dubai is also home to a large Boeing Commercial Airplanes spares distribution facility, one of eight worldwide, as well as a recently opened Aviall customer service center.

The Boeing work force in the UAE includes representatives from numerous Boeing organizations. Boeing employment in the UAE, currently around 50 people, is expected to grow as the company’s business activity increases.

Reflecting the diversity of the UAE, Boeing employs people from many nationalities in the Middle East, south Asia, Europe and Africa—15 at last count. Only a small number are U.S. citizens. While English is the primary language for business, it is not uncommon to hear other languages, particularly Arabic and Hindi, exchanged between co-workers.

“We have a truly diverse multinational work force,” Kinscherff said. “It’s exciting, energizing and always fun. We’re always learning from one another, and we always get great ideas and new perspectives. It highlights the potential of ‘One Boeing’ as a truly global company.” ■

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Aero-dynamic wing leader

Since 1977, the United Arab Emirates (UAE) has ordered 291 commercial jets from Boeing. This includes an order for 100 planes placed during the 2007 Dubai Air Show by Dubai Aerospace Enterprise Capital, a lessor that deals in both passenger and freighter aircraft. The major airlines of the UAE are:

- **Emirates** – now the largest operator of Boeing's 777 and the only airline to fly every 777 model
- **Etihad** – has ordered 787s and 777s valued at nearly \$10 billion
- **flydubai** – low-cost startup that launched operations with order for 50 Next-Generation 737s; it will be the first airline to receive the new 737 Boeing Sky Interior

The UAE is also a major Integrated Defense Systems customer.



بوينغ في

Boeing services, subsidiaries have strong presence in UAE

Boeing subsidiaries and support personnel have a strong and growing presence in the United Arab Emirates (UAE), offering rapid around-the-clock support to commercial and military customers.

“Boeing is well-positioned to ensure our UAE customers get the products and services they need, when they need them,” said Paul Kinscherff, president, Boeing Middle East. “Jeppesen,

Aviall and Boeing Training & Flight Services are committed to this market and have excellent local representation.”

Jeppesen established a regional office in Dubai in 2007. The Boeing subsidiary provides information and information-management tools that support navigation and operations in the air, on water and over land. The office is staffed by a team with years of Middle East experience.

Another Boeing subsidiary, Aviall, opened a customer service center in Dubai in June. Aviall is one of the world’s largest providers of new aviation parts and related aftermarket operations. Located in the Dubai Airport free zone, it provides sales and customer service support, and stocks parts for the commercial airline industry, military customers and business aviation in the Middle East.

Boeing Training & Flight Services, formerly Alteon, placed a sales director in Dubai in 2009. Its global network supports customer needs with a variety of solutions, including 787 Dreamliner training.

A network of five Commercial Airplanes Field Service offices based in the Middle East provides customers quick access to expert airline support personnel. In addition, a Boeing Service Center in Dubai is one of the company’s eight spares distribution facilities worldwide. The Dubai center has an inventory of more than 26,000 items that can quickly be shipped to airline customers throughout the region.



“Boeing is well-positioned to ensure our UAE customers get the products and services they need, when they need them.” – Paul Kinscherff, president, Boeing Middle East

PHOTO: An Emirates Airlines 777 performs a flyby at the 2007 Dubai Air Show in tight formation with the British Royal Air Force Red Arrows aerobatic team. DUBAI AIR SHOW

Boeing Capital promotes aircraft investment opportunities to region's financiers

Along with having the Middle East's largest customer base for Boeing jetliners, the United Arab Emirates (UAE) is establishing itself as one of the world's major financial centers. Dubai, the UAE's most-populous city, now is home for many of the region's largest banks and financial institutions. It also is the region's most frequent site for investor-focused outreach events of Boeing's aircraft-financing unit, Boeing Capital Corporation, which has hosted its annual Middle East financiers and investors conference in Dubai four out of the last five years. This year's session in early October attracted more than 80 participants, more than twice the size of the first regional conference.

Increasingly, Boeing Capital executives are in the region to help increase its financiers' appetites for investing in aircraft, as opposed to other assets, thus generating capital to enable airline customer deliveries, said John Matthews, managing director for the Middle East and Africa. Boeing Capital connects with bankers and financiers in roundtable meetings frequently hosted by Matthews.

"A number of the UAE's banks are active in the aircraft-financing sector, with several of them, including some Islamic financing institutions, looking to become even more significant players," Matthews said. "The banks have tended to focus on Gulf airlines with which they are most familiar, but we continue to work with them to become more comfortable doing business outside the region and more international in their focus."

The UAE is also home to several large aircraft-leasing companies—namely DAE Capital, a branch of Dubai Aerospace Enterprise, and Abu Dhabi-based Waha Leasing—that appear to be expanding their expertise and aircraft investment portfolios.

Not surprisingly, the region's oil wealth has given birth to some of the world's largest sovereign wealth funds, among them the Abu Dhabi Investment Authority. Through these sovereign funds, nations invest surplus proceeds in state-owned funds that invest in such things as precious metals or stocks and bonds.

"We hope to encourage the UAE's sovereign wealth funds to increase their investments in aircraft financing because of the great investment nature of commercial airplanes as long-lived, stable and very mobile assets," Matthews said.

That asset-based nature also makes airplanes attractive to investors who provide Islamic financing, where terms and conditions are mandated by Islamic law. A fundamental criterion is that investments are asset-based.

"There are companies in the UAE that have done some innovative deals where they have securitized assets like real estate and broken them into tranches, or a series of securities with different investment risk levels, that are offered to investors," Matthews said. "We are optimistic that this financing product can be applied with airplanes as the asset as well."

— John Kvasnosky

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— John Matthews, Boeing Capital, managing director for the Middle East and Africa

PHOTO: The landmark Gate Building is at the heart of the Dubai International Financial Center, which is attracting financial firms from around the world. SHUTTERSTOCK.COM