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EU, US commit to opening up airline markets

EU and US negotiators have agreed to engage in negotiations that would allow European investors to take majority control of US airlines in return for similar access to the EU market.

In March 2007, EU and US negotiators reached a deal on an 'Open Skies' agreement whereby EU airlines may fly to the US from any European airport, regardless of their home country. Similar restrictions on US airlines flying to Europe were also lifted.

The deal is part of broader negotiations on an EU-US air transport agreement.

The second round of 'Open Skies' negotiations was opened in May 2008, with Europeans focusing on lowering investment hurdles and access restrictions for EU carriers in the US. The move was heavily opposed by the US Congress.

The "commitment to engage in a process towards such reform" was announced as part of the second-stage 'Open Skies' draft agreement yesterday (25 March).

EU Transport Commissioner Siim Kallas said both sides had agreed "to increase regulatory co-operation and remove the barriers to market access that have been holding back the development of the world's most important aviation markets".

The EU and US markets together represent almost 60% of global aviation.

The first stage of the 'Open Skies' agreement in 2007 allowed free market access for air services between all 27 member states and the US, but failed to address the key issue of reforming airline ownership and control rules.

Based on the positive experience of its own internal market, the EU has long pressed for the introduction of such reforms elsewhere and argues that they would represent "a key step towards liberating the airline industry from the outdated regulatory constraints in the area of foreign investment that prevent it from acting like

any other industry".

But current US laws limit foreign ownership of US airlines to 25%.

According to the draft agreement, the EU will allow majority ownership of EU airlines by US investors and give them additional market access rights to and from the EU. The deal will become operational once the United States has changed its legislation to allow EU investors majority ownership of US airlines.

In economic terms, the creation of an EU-US Open Aviation Area is estimated to be worth up to €12 billion in economic benefits and could create up to 80,000 new jobs, the Commission said in a statement.

The 2007 agreement created a regulatory platform to address all mutual concerns related to EU-US air services. Yesterday's agreement aims to further strengthen cooperation on green technologies, fuel and air traffic management to decarbonise international aviation.

Negotiators also agreed to ensure the compatibility and interaction of market-based measures, such as aviation emissions trading schemes, to avoid duplication.

Giovanni Bisignani, director-general and CEO of the International Air Transport Association (IATA), found it "disappointing that, at this critical time, we did not make significant progress on the issue of ownership".

"The agreement was not a step backwards, but it did not move us forward. The long-term financial sustainability of the industry is dependant on normal commercial freedoms. I urge both governments to keep this on the radar screen for urgent follow-up," he said.

Meanwhile, IATA welcomed confirmation in the agreement that environmental issues would continue to be addressed through the International Civil Aviation Organisation (ICAO).

The International Air Carrier Association (IACA) and its members said they were "frustrated and disappointed by the failure to agree a balanced deal for all airlines".

The EU and US delegations are merely "engaged in a process towards reform" without any deadline or commitment, it

"Yesterday's agreement aims to further strengthen cooperation on green technologies, fuel and air traffic management to decarbonise international aviation."

regretted in a statement.

IACA stressed that "the fact remains that the European Union has been unsuccessful in negotiating equal traffic rights for EU and US airlines in each other's internal markets, through identical ownership and control possibilities".

"Indeed, US airlines have access to the full internal EU market, whilst EU carriers are still restricted to flying transatlantic trunk routes. Under the terms of the preliminary agreement reached yesterday, EU airlines will continue to be denied access to the US internal domestic market," it continued.

Source: euractiv.com - 26th March 2010

Highland Airways goes out of business

An airline which operated flights across the Highlands and islands went into administration yesterday – leaving lifeline services grounded and more than 100 staff out of work.

Workers at Highland Airways were told they were being made redundant with immediate effect.

The company's directors, who had been battling financial problems for two years, called in administrators on Wednesday night.

Highland Airways, which operated flights from Benbecula, Coll, Colonsay, Inverness, Oban, Stornoway and Tiree, lost more than £400,000 in 2008 and was also in the red in 2009.

The firm is believed to be up to £3million in debt after rising fuel prices and the severe winter also affected its business.

Administrator Bruce Cartwright said last night he was "hopeful" that 800 people who had booked flights would get their money back.

A team of 12 staff, including accountants and engineers, will be kept on while the firm is wound up.

Staff were told about the move into administration yesterday. Employees at the airline's headquarters, at Inverness Airport, were called to meetings from 7am.

"Other staff members said the decision to call in the administrators was a relief, bringing a "sense of closure" following months of uncertainty."

Maintenance engineer Jochi Prinsloo said: "We have known for some time that things are not so good. It's still not easy but you have to stay positive.

"It's sad that's it come to an end."

Pilot Andrew Laing said: "We were told that the airline was going into administration and that jobs would be lost. I'm very disappointed."

Other staff members said the decision to call in the administrators was a relief, bringing a "sense of closure" following months of uncertainty.

Alan Mossman, one of the founders of Highland Airways, declined to comment yesterday. Commercial director Basil O'Fee was seen driving away from the firm's offices at Dalcross at 9.15am.

Meanwhile, passengers arriving at Stornoway Airport for the 9am flight to Benbecula were told there was no plane to fly them.

First Minister Alex Salmond said: "In terms of continuation of air services, in particular the lifeline routes, we are confident that over the next few days announcements will be made that these services can be maintained and taken over by other operators."

Loganair announced last night that it would take over the weekday Benbecula to Stornoway service, starting from Monday.

Commercial director Jonathan Hinkles said: "We have moved as quickly as we can to maintain this essential air service between the Western Isles following the sad news of the closure of Highland Airways."

Mr Cartwright, joint administrator and head of business recovery services at PricewaterhouseCoopers in Scotland, said Highland Airways had "ceased to be feasible".

"The company had encountered trading difficulties including the loss of certain contracts.

"As a result, they were in discussion with a number of parties over a period of time with a view to developing a new and viable operating model.

"The directors have now concluded that the option of

"The directors have now concluded that the option of maintaining operations while introducing a new investor is no longer feasible."

- Mr Cartwright

maintaining operations while introducing a new investor is no longer feasible.

"As administrators we are conscious that Highland Airways provided a valuable service and we will be working with contracted customers to ensure an orderly hand-over of services to new operators wherever feasible.

"It is inevitable that there will be a substantial number of redundancies but we will endeavour to assist the workforce in securing employment with the new service providers."

Highland Airways operated a fleet of nine aircraft on contracts including routes from Inverness and Oban to the Western Isles, as well as a Cardiff to Anglesey service.

A spokeswoman for Highlands and Islands Enterprise, which invested £723,000 in the airline in 2007 and 2008, said: "We deeply regret that Highland Airways has been unable to recover from its difficulties, despite rigorous efforts to identify a solution.

"We are supporting the Partnership Action for Continuing Employment to assist those facing redundancy in Inverness and Stornoway to seek alternative employment. Our close dialogue with the management over recent weeks has provided a clear picture of options for all elements of its business and we are hopeful that other operators can be identified to take over Highland Airways' routes and that passenger disruption can be minimised."

Source: Jonny Muir, pressandjournal.co.uk - 26th March 2010

"we are hopeful that other operators can be identified to take over Highland Airways' routes."
- Highlands and Islands Enterprise

Chile's LAN Airlines to get Boeing 787s early

LAN Airlines said it has reached an agreement with the Boeing Co. to receive 787 Dreamliners roughly three years sooner than planned.

Boeing will deliver 10 Dreamliner jets to the Chilean carrier starting in the first part of 2011, rather than in 2014 as previously planned, LAN Airlines said in a statement.

"The incorporation of the Boeing 787 ensures the company's sustainable growth while preserving the environment and incorporating state-of-the-art technology to deliver the best travel experience for LAN's passengers," said Enrique Cueto, LAN's CEO, in a statement. "LAN looks forward to incorporating this new generation of aircraft in the first half of 2011."

The schedule adjustment will make LAN one of the first airlines to receive Boeing's 787 jet, which is more than two years behind schedule. LAN's 10 787s are part of an order for 26 Dreamliners the carrier placed in 2007. At the time, LAN was to receive its 787s between 2014 and 2019.

"We look forward to seeing the Dreamliner fly with LAN's livery," said Marlin Dailey, vice president of sales for Boeing Commercial Airplanes. "The 787 Dreamliner represents one of those rare generational advancements in powered flight that will provide superior operating economics, compelling environmental performance and unique passenger comforts."

Boeing plans to deliver the first 787 Dreamliner later this year to Japan's All Nippon Airways. Boeing has 876 orders for its fuel-efficient Dreamliner.

Source: Michelle Dunlop, heraldnet.com - 25th March 2010

"The schedule adjustment will make LAN one of the first airlines to receive Boeing's 787 jet"

Jet Airways to dry lease 3 Boeing 777-300ER to Thai Airways

Jet Airways has announced that as part of its strategic fleet and capacity rationalization initiative, the airline signed a new lease agreement, for three of its B777-300ER aircraft with Thai Airways.

The three new wide-bodied 777-300ER aircraft will be dry leased to the Thai National carrier for a period of three years with immediate effect. The lease agreement with Thai Airways is in addition to the four other 777-300ER aircraft currently on dry lease with Turkish Airlines.

According to Nikos Kardassis, CEO, Jet Airways, "Jet Airways has worked with a focused approach over the last two years to

more closely align the airline's deployed capacity with current demand, streamlining costs in the process. The leasing of three of our wide-body B777-300ER aircraft is among the last steps to fully achieving this objective. With the improvement in the global economic environment leading to a rise in air traffic, Jet Airways is now optimally positioned to return to profitability and sustain stronger growth, both in India and overseas with the introduction of new routes."

Jet Airways recently registered impressive growth, over five consecutive months (October '09 - February '10), consolidating its leadership position in the Indian aviation industry. The average international seat factor during this period exceeded 80%, while the average domestic seat factor was an impressive 74% - reflecting continued high demand for the airline's award-winning world-class product and service.

JetLite, Jet Airways' all-economy subsidiary too has been showing significant signs of a turnaround registering an average of over 18% growth in passenger traffic on a seat factor in excess of 78% for the past four months.

Effective April 14, 2010, the airline will launch its planned daily non-stop flight from Mumbai to Johannesburg in South Africa, and a daily flight on the Thiruvananthapuram-Dammam sector, effective March 28, 2010. Domestically, Jet Airways' Konnect service will introduce daily services on the New Delhi-Dehradun and the Kochi-Bengaluru-Ahmedabad sectors, and also five-days-a-week service on the Hyderabad-Chennai-Port Blair sectors, effective March 28, 2010.

Jet Airways offers guests seamless connections between several destinations in India and 21 destinations across North America, Europe, Asia and the Gulf, primarily via its major hubs in Mumbai and Delhi.

Source: indiainfoline.com - 25th March 2010

"Jet Airways has worked with a focused approach over the last two years to more closely align the airline's deployed capacity with current demand, streamlining costs in the process."

- Nikos Kardassis

Genesis Lease Completes Merger With AerCap Holdings

A Shannon-based aircraft leasing firm officially closed a merger with a leading international global aviation company today.

Earlier this week, Genesis Lease Limited confirmed it had received shareholder approval for its proposed merger with AerCap Holdings N.V. More than 70% of the Genesis common shares issued and outstanding as of the record date were voted and, of the votes cast, more than 97% were voted in favour of the merger.

As a result of the merger, Genesis shareholders will receive one AerCap ordinary share for every Genesis common share they own. The combined company will retain the name AerCap.

John McMahon, Chairman & CEO of Genesis commented: "The Genesis board and management are grateful for the overwhelming support of our shareholders in favour of the merger transaction with AerCap. As a result, we believe that our shareholders are well positioned to benefit from the combined company's future contracted and funded growth as well as the opportunities that arise as the market recovers. We wish them, the board and management team of the combined company, every success in the future."

AerCap's CEO Klaus Heinemann added: "The merger has strengthened our ability to expand our leading market position at a time when we see clear indications of increasing market recovery. This powerful combination, together with the enhanced cash generation capabilities of our combined companies, will enable us to pursue considerable further growth for the benefit of our shareholders. AerCap is now the world's leading independent aircraft leasing company, with a strong franchise, a worldwide market reach, and a young, fuel-efficient portfolio with approximately \$10 billion in book value including our contracted aircraft orders."

Genesis is a global commercial aircraft leasing company that is headquartered in the Westpark Shannon Business campus. The company acquires and leases modern, operationally efficient passenger and cargo jet aircraft to a diverse group of airlines throughout the world.

Source: clareherald.com - 25th March 2010

"The merger has strengthened our ability to expand our leading market position at a time when we see clear indications of increasing market recovery."

- Klaus
Heinemann

AirAsia's purchase of local airline stake legitimate

It was "quite impulsive" for national carrier Vietnam Airlines to say that Malaysian low-cost airline AirAsia was trying to take advantage of a legal loophole to enter the domestic market, an official has said.

According to Vietnam Airlines, AirAsia's acquisition of a 30 percent stake in local VietJet Air last month was only a move to help the foreign carrier offer domestic flights, which foreign firms are currently barred by law from doing. The national carrier asked the government to prevent a joint-venture between VietJet Air and AirAsia.

But Civil Aviation Administration of Vietnam deputy head Lai Xuan Thanh said AirAsia's move was legitimate as the government allows foreign investors to purchase stakes in local airlines.

"Vietnam is developing its airline industry, and policies have been created to attract capital sources, including foreign investment," Thanh said in an interview published by Lao Dong newspaper on Tuesday.

"It's reasonable to encourage airlines to invest capital and aviation technology into Vietnam."

Thanh said as the stake purchase complied with the law, there was no legal basis to roll it back as requested by Vietnam Airlines, Thanh said.

VietJet Air, the first private airline to be licensed in Vietnam, said its joint venture with AirAsia will be named VietJet AirAsia.

Nguyen Duc Tam, VietJet Air CEO, told Thanh Nien with only 30 percent stake, AirAsia will hardly be able to control VietJet Air's business.

"We have our own strengths and strategies and there is no way VietJet Air can be taken over by foreign investors," Tam said.

"VietJet Air managers have a lot of experience in working with

"The local airline sector is protected by the 30 percent cap on foreign ownership of a single investor and the 49 percent cap on total foreign investment"

- Lai Xuan Thanh

foreign investors and we understand that AirAsia is an international company. As a result, we have already made clear and transparent agreements to ensure VietJet Air can operate independently on equality and mutual interest principles.”

The government has set a 30 percent cap on foreign ownership in a local airline. However, Vietnam Airlines said, the regulation does not distinguish foreign airlines from other foreign investors. As a result, foreign carriers like Jetstar and now AirAsia have entered the domestic flights segment in Vietnam, which they are technically not allowed to do. This trend is bound to harm the local industry, the national carrier said.

Vietnam Airlines proposed that the government fix the “loophole.”

“The law on aviation was created many years ago, so there can be some regulations that are no longer up-to-date,” Thanh said. “Businesses usually propose changes to laws in accordance with the development.”

But Thanh said he did not agree with Vietnam Airlines’ assertion that selling stake to a foreign airline was a way of selling the rights to start domestic flights at a cheap price.

“The local airline sector is protected by the 30 percent cap on foreign ownership of a single investor and the 49 percent cap on total foreign investment,” he said in the interview.

Source: Thanh Nien News, thanhniennews.com - 23rd March 2010



IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, www.ibagroup.com

Conference Dates

8th April 2010 - Risk Management and Practical Solutions, Dublin - Phil Seymour will be chairman and speaker and Owen Geach will be attending - register@aeropodium.com

4th - 6th May 2010 - 2010 European Business Aviation Convention & Exhibition, Geneva - Owen Geach and Mark Wooller will be attending

FlyGlobespan

IBA has been appointed as exclusive sales agent by The Joint Administrators of The Globespan Group Plc for the Boeing 737-600 and spare parts inventory formerly the property of FlyGlobespan. Interested parties should send an email to owen.geach@ibagroup.com to request more information. Further details will be made available shortly.

IBA Aircraft for Sale

2002 Embraer Legacy - MSN: 145505, Total time: 2281, Cycles: 1484 - Price reduced.

Please contact Mark Wooller for further details at mark.wooller@ibagroup.com or call: +44 (0) 1372 224488

Publications - 2010 Editions

Please contact marketing@ibagroup.com for more information.

Aircraft Values Book	Published in February & August 2010	£650 per year
Lease Rate Digest	Published in February & August 2010	£375 per year
Engine Values Book	Published in April 2010	£650 per year
Maintenance Cost Journal	Published Quarterly	£175 per year

Phil Seymour's Notes on the Week

Depressing notes this week - I have been shut away at various law firms' offices as the tide of disputes in our industry reaches tsunami proportions.

I will be giving myself some daylight with a visit to Birmingham - I am treating Mrs Seymour to a day out and we will be part of the Arsenal "away" support for the game on Saturday afternoon. She was hoping to a more romantic excursion to Barcelona for the Champions league game on April 6th but alas those law firm offices cannot allow such time out. I hope to sneak out for the home game though on March 31st.

Don't forget the clocks go forward an hour in this part of the World as we enter our Spring and Summer.

I hope the striking BA cabin staff enjoy their long weekend at home.

Phil

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