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Boeing's deliveries slip 11%

The Boeing Co.'s jet deliveries fell 11 percent in the first three months of 2010, compared to the same period last year.

Boeing said on Thursday that it delivered 108 jets in the first three months of 2010, down from 121 in the same quarter of 2009. The company's net orders rose in the first quarter to 83, compared to a net loss of four orders in the first three months of last year.

Boeing trails rival Airbus in jet deliveries so far this year. Airbus delivered 122 aircraft in the first quarter. However, Boeing leads the European company in net orders over the first three months. Airbus posted 60 net orders, compared to Boeing's 83.

As always, Boeing deliveries of single-aisle jets outpaced deliveries of its widebody jets. Boeing delivered 86 737s in the first quarter of 2010. That is down from 91 in 2009 and 87 in 2008. Airbus handed over more than 100 of its single-aisle A320 jets in the first quarter.

Boeing's widebody jet deliveries in the first three months include 19 777s and three 767s. The company delivered no 747s as it works toward handing over the first 747-8 later this year.

Amid a decreasing demand for air travel last year, Boeing previously announced it would reduce production rates for its 777 beginning in mid-2010. Just last month, Boeing said it will need to ramp up production rates on the 777 as soon as mid-2011 to meet increasing demand. Boeing will also boost production rates on its 747 program.

Airbus said it delivered 19 of its A330 widebody aircraft and three of its superjumbo A380 jets through March 31.

Boeing updated its deliveries and orders Thursday and will report its quarterly earnings on April 21.

Boeing's stock was down 16 cents Thursday to close at \$72.12.

Source: Michelle Dunlop, heraldnet.com - 9th April 2010

Asia-Pacific region to become world's largest aviation market

Global airline industry has improved significantly since late 2009, but the whole industry is now still operating at a loss, and it would possibly lose 2.8 billion U.S. dollars this year. Speaking in Beijing on Thursday, the International Air Transport Association (IATA) director general and CEO Giovanni Bisignani halved the industry's loss forecast for 2010 to 2.8 billion dollars as it had continuously contracted since mid 2008.

A profit of 900 million dollars is expected to be realized by Asia-Pacific carriers this year, and the region has now become the world's biggest aviation market. As a matter of fact, with 647 million passengers in 2009, the intra-Asian air travel market overtook North America as the world's largest in 2009, according to IATA.

The recovery of regional aviation industry has been significantly different, nevertheless. The continuous improvement in the state of the regional aviation industry has been attributed mainly to the economic recovery of emerging markets in the Asia-Pacific and Latin American nations, while the situation in North America and Europe is slightly behind.

The airline industry in the Asia-Pacific and Latin America will be profitable in 2010. Despite the improved forecasts, the global aviation industry will still have reported net losses in the Europe, North America, Middle East and Africa, and the Asia-Pacific region, however, driven by China's rapid economic recovery, is expected to make a profit of 900 million dollars this year.

The rebound in the global economy has brought more demand for the air transport industry. "Aviation has restored 'half of the lost territory' and it is moving in the right direction; and the demand is improving," said Bisignani, adding that "we are more optimistic about the future, but still very cautious."

The industry has been wise in managing capacity, Bisignani acknowledged; "prices are beginning to align... Important risks remain, and oil is a wild card, and over-capacity is still a danger..."

"with 647 million passengers in 2009, the intra-Asian air travel market overtook North America as the world's largest in 2009"

Nevertheless, he predicted that Asia-Pacific will account for a one-third share of the global aviation sector; he also spoke highly of China's aviation industry, and data shows that passengers, who departed from or arrived in China, accounted for 38 percent of the Asia market last year. This ratio will continue to increase to 45 percent by 2013.

Moreover, with the rapid growth of China's aviation industry over the past decade, the total number of aircraft rose from 480 to 1,400. The domestic market grew by 350 percent from 1.6 million seats per week to 5.7 million per week, and the number of seats on China's international flights also rose from 500,000 to 1.4 million per week.

The rapid development of China's aviation industry enabled the regional aviation market to overtake North America and become the largest global aviation market in 2009. Related IATA figures show 647 million people in the Asia-Pacific travelled by plane in the year, and the number of air passengers surpassed the number of their peers in North America for the first time. By 2013, this region will take a one-third share of the global aviation market.

At a time when the airline industry strives to combat global financial crisis, Bisignani noted, industry structural adjustment was very crucial and important. He also appealed to governments to abandon the outdated aviation industry control measures to address transport market access, pricing, liberalize airline ownership and solve other related issues, so as to promote industry growth.

Bisignani highlighted the IATA commitment to promoting "green aviation" and re-iterated the carbon emission reduction target for the aviation industry. By 2020, annual average fuel efficiency will increase by 1.54 percent a year. Carbon emission will be stabilized and carbon neutrality will be raised from 2020 onwards. By 2050, carbon emissions will be cut by a half of those in 2005.

Source: People's Daily Online , english.peopledaily.com.cn - 9th April 2010

IBA's Comment:

"The reports from the Asia-Pacific region are quite impressive, particularly given the problems experienced by Japan Airlines. Total orders for the region stand at over 2,300 aircraft."
- David Rushe

BA, Iberia sign tie-up deal

British Airways and Spanish flag carrier Iberia on Thursday announced a merger deal to create one of the world's biggest airlines to compete more effectively in the fast-consolidating aviation sector.

The tie-up would create Europe's second-biggest airline by market capitalisation after Lufthansa, combining Iberia's strong position in Latin America with BA's presence in Africa, Asia and North America.

'British Airways and Iberia have today taken a further step towards creating a new leading European airline group by signing their merger agreement,' the two loss-making airlines said in a joint statement.

The new company will be one of the world's largest airline groups with 408 aircraft flying to 200 destinations and carrying more than 58 million passengers per year.

'It has been structured so that it can take advantage of further consolidation in the global aviation industry,' they said, adding that it would benefit both airlines' customers, employees and shareholders.

The landmark deal would create annual savings of around 400 million euros by the fifth year of the deal.

The tie-up, which requires regulatory and shareholder approvals, is expected to be completed by late 2010 and follows a preliminary accord in November.

Under the agreement, BA and Iberia will be grouped under a new holding company, known as International Airlines Group, which will be quoted on stock exchanges in London and Madrid. However, both airlines will retain their current operations and individual brands.

Source: AFP, straitstimes.com - 8th April 2010

IBA's Comment:

"It could be a long time until this deal is finally consummated, however the unions appear to give this tentative their support which can only be a good sign."
- Owen Geach

United, US Airways in 'advanced' talks to merge

United Airlines is pondering a merger with US Airways; the third time the companies have attempted a tie-up over the past decade.

Negotiations between the two carriers are advanced, said a source with direct knowledge of the discussions. The merger talks were first reported by the New York Times.

Analysts and airline industry observers believe that United's intent may be to draw Continental Airlines, a close joint venture partner, to the bargaining table. The two carriers would form the world's largest carrier and a potent competitor to Delta Air Lines, with a global network reaching from South America to Asia and Europe.

"This looks like an attempt to get something going," said former Continental CEO Gordon Bethune, who said he had no direct knowledge of United's plans. Representatives of United and US Airways declined comment. A Continental spokeswoman could not be reached.

A Continental and United merger would create about \$5.8 billion in market value, including cost-savings and new revenues of about \$2 billion, said Vaughn Cordle, a retired United pilot who is managing director of market research firm AirlineForecasts LLC.

However, combining United and far-smaller US Airways would generate about 65 percent of that increased market value: about \$2.5 billion to \$3 billion, AirlineForecasts estimated.

"If Continental doesn't want to do a full merger with United, US Airways makes for the next-best alternative," Cordle said via e-mail. "A 65 percent return is better than no incremental increase in value."

United CEO Glenn Tilton has been an outspoken advocate of industry consolidation, but has had difficulty consummating a deal of his own. Jeff Smisek, his counterpart at Continental, has been wary of merging unless it appeared that recently merged Delta was pulling ahead of the rest of the industry.

Tilton came closest in 2008, when United held talks with Delta, which eventually opted to combine with Northwest Airlines. United then came close to completing a deal with Continental,

"A Continental and United merger would create about \$5.8 billion in market value, including cost-savings and new revenues of about \$2 billion"

but talks ultimately broke down over social issues like the composition of the management team and Continental's board concluded that it would fare better on its own.

United finally negotiated with US Airways, but decided it would rather not risk inflaming ongoing labour tensions at both carriers. Instead, Tilton formed a virtual merger with Continental, which joined the Star Alliance.

The two carriers have been the topic of constant merger speculation over the past 18 months as they combined information platforms, shared airport operations, marketed seats on each other's flights and formed ambitious partnerships to coordinate flying across the Atlantic and Pacific oceans.

Tilton and other airline CEOs may feel increasing pressure to deal, said Roger King, aviation analyst with CreditSights LLC. After two years of heavy cost-cutting, they have little left to trim — aside from overlapping operations with a merger partner.

By contrast, Delta has low costs and stands to reap far more from the anticipated airline industry rebound. "Delta has shown you that those kinds of mergers can work," King said.

Delta was also able to smoothly absorb Northwest because it first worked an unusual deal with its pilots union, which will be tougher for others to emulate, especially United and US Airways, said Bill Swelbar, an MIT airline researcher.

Source: Hugo Martin & Julie Johnsson, wildcat.arizona.edu - 8th April 2010

IBA's Comment:

"The US market has undergone significant changes in the last decade. LCCs have gone from strength to strength on internal routes and by the time the market recovers, the majors may have consolidated into just three main groups."
- David Rushe

Lessors reject Paramount's fresh offer

GE Aviation Service Ltd and Celestial Aviation Trading, the two British companies which leased out three aircraft to Paramount Airways, rejected the airline's offer to pay \$1 million in 10 days to clear the arrears, claimed to be \$10 million. They alleged that the airline had repeatedly reneged from its promise to pay the dues.

"We don't want to do business with such persons," their counsel Harish Salve, said before a Supreme Court bench, headed by Chief Justice K G Balakrishnan.

Senior counsel Abhishek Singhvi, appearing for Paramount, read out the offer that it would pay \$1 million in 10 days, if it was allowed to fly the planes and the balance of \$4 million in five months.

The judges were also not sympathetic to the Indian airline. The Bench asked Paramount to pay Rs 25 crore immediately so that they could pass a favourable order. Singhvi said the airline was not in a position to pay such an amount, when the planes were grounded for many weeks and lying in Chennai. He said the Coimbatore-based airline had a share of 27 per cent in the South and the present crisis would affect 1,400 employees.

Following a complaint by the lessors, the Directorate General of Civil Aviation (DGCA) earlier grounded the planes and threatened to deregister the airline itself. An airline needs at least five planes to obtain registration. If three out of the five planes of Paramount are taken away, it would lose its registration.

The airline also fought lawsuits in London, Madras and Delhi High Courts without any success. It approached the Supreme Court against the Delhi High Court ruling that validated the DGCA's December 2009 order to deregister and ground Paramount's planes.

Source: BS, sify.com - 7th April 2010

"On a complaint by the lessors, the Directorate General of Civil Aviation (DGCA) earlier grounded the planes and threatened to deregister the airline itself."

Sun Country airline files plan to exit bankruptcy

Without a buyer in the wings, Sun Country Airlines took a significant step toward emerging from bankruptcy by filing a reorganization plan on Monday in which its major creditors - including current owner Petters Aviation - become shareholders.

The document, filed in the U.S. Bankruptcy Court, indicated the air carrier is rebounding financially. After losses of nearly half a million each in 2007 and 2008, the low-fare carrier said it made \$1.4 million on \$202 million of revenue in 2009. It has also made \$1.9 million in the first two months of 2010 on total

revenue of nearly \$40 million.

Under the plan, smaller creditors should receive 20 cents on the dollar, Meyer said.

The Mendota Heights-based airline filed for Chapter 11 protection in October 2008 just days after its majority stockholder, Tom Petters, was arrested on fraud-related charges. Though the carrier had already begun instituting money-saving under CEO Stan Gadek, who arrived in the spring of 2008, it did not have the cash to survive the slow fall season until bookings picked up in winter.

Sun Country has eliminated unprofitable markets or made them seasonal. It also began charging for baggage and food in coach. More recently, it started the full-service Sun Country Vacations and is adding summer flights to London, a first for the airline.

Sun Country has been working with investment banker Raymond James to solicit buyers for the airline - although unsuccessfully. The reorganization plan indicated that the process was "exhaustive" and that the interest in it confirmed a price in the range of \$10 million to \$30 million.

Michael Meyer, Sun Country's bankruptcy counsel, said two prospective buyers had emerged. "We fully explored those possibilities and we never got to the point of getting an offer from either of the prospective buyers," he said, declining to name them.

In 2006, Petters Aviation and Whitebox Advisors, a Twin Cities investment firm, acquired the low-fare carrier. Petters bought out the Whitebox stake a year later. Petters Aviation, which is also in Chapter 11, is still the main shareholder.

Meyer said that Monday's filing changes does not sever the relationship with Petters Aviation and Petters Group Worldwide because both are major creditors, along with Whitebox.

The next step, Meyer said, is for all the parties to vote, which he expects will be approved in late June. Sun Country should emerge from bankruptcy at that time, he said. "It's been fully negotiated with the unsecured creditors committee and the Petters interests have been involved in negotiating the plan as well," he said.

Source: Suzanne Ziegler, startribune.com - 6th April 2010

"Sun Country has eliminated unprofitable markets or made them seasonal. It also began charging for baggage and food in coach."



IBA Group News

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

Conference Dates

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

Dublin Risk Management Seminar

IBA's was one of the Keynote Speakers at the well-attended Risk Management Seminar that took place in Dublin on 8th April. The event attracted a cross section of attendees from airlines, banks, lessors, lawyers and advisers. The aim of the seminar was to provide legal and practical advice on managing aircraft repossessions and suggestions as to solutions for temporary registration post - recovery. Owen Geach who chaired the event and presented the Practical Solutions session said, "This is the third such event at which we have presented and interest in this potentially difficult area remains strong".

Any bank, investment group or lessor wishing to arrange an in-house half-day seminar can do so by contacting owen.geach@ibagroup.com

IBA Aircraft for Sale

2002 Embraer Legacy - MSN: 145505, Total time: 2281, Cycles: 1484 - US\$12.5m.
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

Recent improvements in the Indian aviation sector are evident but Paramount with its Embraer fleet ambitions appear to be troubled - and the Indian DGAC appear in no mood to prolong the registration of the carrier. A reminder for us about how thin the recovery is.

The UK will have a general election on May 6th. It is probably not best for me to express political preferences but I can't help sharing my thoughts on one speech I heard from the Liberal Democrat Finance chap: Vince Cable. Much of it seemed to make sense so I found myself being persuaded - it was like listening to my dear departed Dad, I couldn't argue with anything he said - then he went and blew it by saying "a new tax on Aviation was required".

Ah well, back to the Monster Raving Loony party for me. By the way, that is a real UK political party not a night out.

Phil

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Highlights

- Rising equities
- Economic optimism
- OPEC roll-over
- Falling US \$

Helpful Links

www.wfscorp.com
World Fuel Services corporate site - The Choice for Complete Fuel Management

www.eia.doe.gov
Official Energy Statistics from U.S. Government

www.nymex.com
New York Mercantile Exchange-current market and historical values

www.ncdc.noaa.gov
NOAA site for active weather updates and hurricane news

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Executive Summary

Oil prices have held onto recent gains, with prompt month crude oil trading above \$80 per barrel for the last 26 trading days. Economic optimism, unchanged OPEC quotas, higher stock prices and the fluctuating US dollar all helped to support oil prices generally.

Fundamental Factors

- ▶ As expected, OPEC kept crude output quotas unchanged last week despite requests from several members for higher production rates. The move signalled that the cartel plans to hold supply steady while demand is expected to rise due to economic growth and seasonal consumption.
- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA), showed a sharp rise in crude oil inventories but shrinking refined product stockpiles. US refinery use for the week rose slightly to 81.1% of operable capacity.
- ▶ In its *Short-term Energy Outlook*, the EIA predicts that retail gasoline prices will likely exceed \$3 per gallon in the upcoming driving season while retail diesel prices will average near \$3 per gallon in 2010 and even higher in 2011.
- ▶ Platts estimates that China's oil demand in February soared by 16.6% from year ago levels – the sixth straight month that the world's 2nd largest oil consumer saw double digit growth.

Macroeconomic & Geopolitical Factors

- ▶ The Dow Jones Industrial Average approached 10,900 this week and US dollar fell versus the euro with €1 = \$1.3419 in early trading today. The euro may see a resurgence against the dollar as a result of an agreement by European leaders to come to Greece's financial aid if necessary.
- ▶ The US Commerce Department revised fourth quarter GDP growth downward from 5.9% to 5.6% annualized. Forecasts for 1Q10 GDP growth range from 2.5% to 3%.
- ▶ The Federal Reserve believes that the pace of US economic recovery is like to be "moderate" for the foreseeable future and decided to leave short-term interest rates unchanged at near zero last week.
- ▶ South Korean leaders called an emergency security meeting after one of its naval vessel sank after an explosion on board near the North Korean border.

