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Emirates Places \$11.5 Bln Order For Additional 32 Airbus A380 Aircraft

Dubai-based Emirates Airline said Tuesday that it placed an order with Airbus, a unit of European Aeronautic Defence and Space Co. N.V., or EADS, for an additional 32 A380 aircraft. The order for the additional aircraft, which is the biggest single order for the superjumbo to date, is valued at US\$11.5 billion.

The latest order was announced by Emirates at the Berlin Air Show, taking the total firm order by the carrier for the aircraft to 90, or almost 40% of the 234 firm orders that Airbus has signed for the double-deck plane. The airline has already ordered 58 of the world's largest passenger plane.

The Airbus A380 is a double-deck, wide-body, four-engine airliner. The A380 made its maiden flight on 27 April 2005 from Toulouse, France, and made its first commercial flight on 25 October 2007 from Singapore to Sydney with Singapore Airlines.

"This latest order, adding to 58 A380s previously ordered, affirms Emirates' strategy to become a world leading carrier and to further establish Dubai as a central gateway to worldwide air travel. The A380 is our flagship in terms of passenger comfort, innovation, operating and environmental efficiency and revenue generation," said H.H. Sheikh Ahmed Bin Saeed Al- Maktoum, Chairman and Chief Executive, Emirates Airline and Group.

Emirates is currently serving eight international destinations with the A380 aircraft, including London Heathrow, Toronto, Paris, Jeddah, Bangkok, Seoul, Sydney and Auckland. The airline said it will start A380 services to Beijing from August 1, Manchester from September 1, and will return service to New York's John F. Kennedy airport on October 1.

In addition to the orders placed today, Emirates has 48 Airbus 380s, 70 Airbus 350s, 18 Boeing 777-300s and 7 Boeing air freighters on order, totalling 143 wide-body aircraft worth more than US\$48 billion.

The Emirates deal enables Airbus to overcome an order dearth for the world's largest passenger plane. The ambitious A380 program has been beset by numerous production and financial delays since it was first proposed in 2005. After originally hoping the superjumbo would be the company's salvation, Airbus is now targeting to break even by 2015 on the project.

Airbus said that all Emirates' A380 aircraft will be powered by Engine Alliance GP7200 engines and delivered from Hamburg. In Germany, more than 30 major suppliers are directly feeding into the A380 program. Airbus noted that the A380 program alone adds an estimated 40,000 direct, indirect and induced German jobs. A380 firm orders now stand at 234 from 17 customers, the company said.

In the recent first quarter, Airbus delivered 122 aircraft, including three A380 and three single aisle aircraft under operating lease, and booked 60 new firm commercial orders. 2014.

Source: RTTnews.com - 9th June 2010

IBA's Comment:

"The big question now is whether Airbus will achieve sufficient orders (over 400) to break even on the troubled project"

- David Rushe

Asia-Pacific to drive global aviation

Global airlines, which posted USD 2.8 billion loss last year, are expected to turnaround and achieve a profit of USD 2.5 billion this year, of which the Asia-Pacific carriers would account for USD 2.2 billion, the global airlines body IATA said.

The association asked governments across the world to allow a level-playing field to the aviation industry and allow airlines to "build efficiencies across borders" and the labour to see reason and not to go on strike.

Noting that the International Air Transport Association (IATA) expects airlines to post a global profit of USD 2.5 billion in 2010, its director general and chief executive Giovanni Bisignani said this is "a major improvement compared with IATA's previous forecast of a USD 2.8 billion loss released in March".

Addressing the IATA annual general meeting in Berlin, he laid out a vision for the industry in 2050, saying, "in just a couple of decades, the demographics of our customer base will change dramatically. The middle class will nearly triple from 1.3 to 3.5 billion people.

India and China will account for a quarter of these potential travellers. At about the same time, the GDP of BRICs (Brazil, Russia, India and China) will equal the G-7 nations, shifting cargo flows dramatically."

Attacking governments for regulations, the IATA chief said, "the governments must act more responsibly to ensure safety, security and a level playing field. And the airlines need the freedom to build efficiencies across borders, better serve their customers, and achieve sustainable profits to fund growth and innovation."

Lambasting the strikes and agitations by airline unions in different parts of the world, he said the labour is "out of touch with reality."

"We cannot pay salary increases with our massive losses. Pilots and crew must come down to earth and strikes at this time are short-sighted nonsense. Labour needs to stop picketing and cooperate," Bisignani said in a powerful message to the unions across the world.

Regarding passenger traffic, he said the Asia-Pacific carriers would continue to benefit from "the strong regional growth" and the Asian economies, excluding Japan, would grow by 7 per cent this year.

"China will outpace that with an expected 9.9 per cent GDP expansion. As a result, the region's carriers are expected to deliver the largest profit at USD 2.2 billion", which is more than double the previously forecast USD 900 million in March and a major reversal from the USD 2.7 billion loss in 2009," Bisignani said.

Observing that airlines are benefiting from a strong traffic rebound, Bisignani said the USD 2.5 billion profit is "still a long way from sustainable profitability" as a major part of the global industry is still posting big losses. A stagnating economy, strikes, natural disasters, and a currency crisis have left European carriers struggling."

"Asia-Pacific carriers would continue to benefit from "the strong regional growth" and the Asian economies, excluding Japan, would grow by 7 per cent this year" - IATA

While the fuel costs will remain at the expected levels of USD 79 a barrel, the yields are now forecast to grow by 4.5 per cent for both the cargo and passenger business. "This is a significant improvement from the previously forecast yield growth of 2 per cent in passenger markets and 3.1 per cent for cargo," he said.

Asking industry leaders to look beyond the crisis over the last decade and strategically define a sustainable future, Bisignani outlined a vision for 2050. "We will be very near to zero accidents. We will emit half the carbon. We will have eliminated queues with integrated systems ensuring security as we process more passengers.

"We will operate with almost no delays in globally united skies. We will share costs and profits equitably across the value chain. We will be a consolidated industry of a dozen global brands supported by regional and niche players. And we will deliver value to investors," the IATA chief said.

Source: expressindia.com - 8th June 2010

Go for smaller aircraft: Boeing to AI

State-run carrier Air India (AI) is in a fix ahead of its plan to restructure its international operations by the year end.

Struggling with massive losses, the carrier is looking to cancel or defer orders of three long-haul Boeing aircraft 777-300ER (Extended Range) but the US plane maker Boeing insists it be replaced with narrow-bodied Boeing 737-800, generally used for domestic operations.

Also, the difference over pricing of Boeing 777-300ER remains an issue as AI wants Boeing to offset these planes at a total of Rs 2,000 crore - the price that prevailed when the orders were placed in 2005.

"We are still in talks with the airline. We are yet to sign a new contract in this regard," Dinesh A. Keskar, president, Boeing India, told Mail Today.

"AI does not want to annoy the government as it has not been able to give a shape to the turnaround plan for the carrier"

Keskar hoped that the deal would be struck soon. The cash-strapped carrier had ordered for 111 aircraft in 2005, including 68 Boeing aircraft for Rs 55,000 crore. AI, which has a paid-up capital of just Rs 145 crore currently has payment commitments of over Rs 22,000 crore for aircraft deliveries this year as against Rs 12,000 crore last year.

AI and Boeing have been negotiating to work out the deal for quite some time. However, the former is yet to take a decision on Boeing's offer as it will have to approach the price negotiation committee, which functions under the Public Investment Board of the Union finance ministry for change in aircraft model.

But Keskar says that this should not be a problem. "In this case AI may again have to go back to it (the price negotiation committee) if the airline wants to take up Boeing's offer of replacing the delivery of one type of aircraft with another," said a top airline official requesting anonymity.

However, AI does not want to annoy the government as it has not been able to give a shape to the turnaround plan for the carrier.

As per the turnaround plan, the airline has to cut cost by Rs 1,500 crore and increase revenues by Rs 1,200 crore by the end of 2012.

AI's further concern is that it is slated to join Star Alliance, the largest alliance of airlines by next year and with losses mounting this could also hamper the move.

The newly constituted board of the airline, which has eminent industrialists and experts - who are also members of the airline's strategy committee - has prepared a network strategy for the airline as part of the turnaround plan. As per the plan, the airline could give up Frankfurt as its European hub.

It would fly direct Toronto as well as Chicago from New Delhi.

"There are also plans to reduce few more loss-making international routes. The cancellation of Boeing 777-300ER is just a part of the restructuring plan," a top AI official said.

The former managing director of state-run carrier Vayudoot, Harsh Vardhan, told Mail Today the airline should develop its market overseas if it has to survive.

"It is a retrograde step to cancel wide-body aircraft (order).

IBA's Comment:

"It has been a problematic few years for Air India despite the recovery in the region - it faces the additional problem of having a number of ageing aircraft which it may not have sufficient cash to replace"
- David Rushe

This move would bring down its presence in the international market and benefit other private carriers," said Vardhan.

Of the total 111 planes ordered by AI, 68 are from Boeing and 43 from Airbus.

Source: Indiatimes.com - 7th June 2010

Boeing and Bombardier Could Partner: Analyst

If Airbus parent EADS is talking with Embraer about the 100-seat aircraft market, might Boeing talk with Bombardier?

Davenport analyst Carter Leake touted the possibility in a March report, and the musing gained credence on Thursday when EADS CEO Louis Gallois said he's interested in working with Embraer.

The French daily Les Echos reported Thursday that EADS has proposed that Embraer join with its subsidiary ATR to launch a new regional jet. "We have big respect for Embraer," said Gallois, according to Aviation Week. "We are eager to find ways of partnering."

In his report, Leake said it is unreasonable to assume that Boeing is going to sit back as the various potential competitors around the world scoop up the 100-seat market and then look to build even larger aircraft. The assumption is "naive," he said. "Investors should not count out such a simple solution as a joint venture with one of the better 100-seater platforms."

"A Boeing-Bombardier JV would be far more attractive to both parties than the lose-lose scenario that is likely to evolve with five regional jet [manufacturers], Boeing, and Airbus all fighting for the same narrow band of capacity," Leake wrote. "Similarly, we see an Airbus-Embraer JV as a nice cultural fit."

In the 1980s, Boeing briefly owned deHavilland Canada (now owned by Bombardier) and "got a very good look at small aircraft economics," Leake noted. The view was not inspiring. "Put simply, the smaller the plane, the thinner the margin."

IBA's Comment:

"A merger between Boeing and Bombardier could make the battle for 100+ seat orders very interesting.

Boeing has remained much quieter than Airbus on its intentions (if any) for the PW1000 geared Turbofan"

- David Rushe

Theoretically, a partnership with Boeing "would [likely] preclude Bombardier from going above 150 seats," said analyst Scott Hamilton of Leeham Co. Additionally, Boeing could assist Bombardier in its sales effort for its C-Series 100-seaters, said Hamilton, who also suggested that a partnership might raise antitrust issues.

Boeing has been the Dow's leading stock for most of the year. The company is currently evaluating the future of the 737, which typically seats as many as 162 passengers.

On Thursday, workers at the Long Beach plant - where the C-17 military cargo jet is assembled - returned to work after a month-long strike. The workers, members of the International Association of Machinists, voted 823-544 to ratify a 58-month contract, which included a \$4,000 lump-sum payment and 3% annual pay rises in future years.

Source: thestreet.com - 11th June 2010

Kingfisher Airlines joins 'oneworld alliance'

India's Kingfisher Airlines has joined the oneworld alliance to answer the rising demand of global travellers. "By becoming a partner of oneworld, we will be able to offer passengers more than 800 destinations in 150 countries on a network with the best coverage of the routes," Kingfisher Airlines' senior vice president Manoj Chacko said Monday.

Chief executive officer of British Airways (which sponsored Kingfisher's bid to join) Willie Walsh praised the collaboration.

"We are pleased to have gained quick regulatory approval from New Delhi to add Kingfisher Airlines to oneworld. We intend to move ahead with its implementation."

Oneworld governing board chairman and American Airlines chairman and chief executive Gerard Arpey said: "The addition of Kingfisher Airlines is another key element in making 2010 even more of a breakthrough year for oneworld."

He added that since oneworld remains the leading alliance in Latin America, it aims at expanding the market in other parts of the world.

"A We are pleased to have gained quick regulatory approval from New Delhi to add Kingfisher Airlines to oneworld. We intend to move ahead with its implementation."

-Willie Walsh

Launched in 2005, Kingfisher Airlines has earned five-star ranking, rated by independent airline quality research body Skytrax. The airline served 11.6 million passengers in its 2009-2010 financial year and generated revenues totalling US\$1.2 billion. It flies to 69 destinations – 61 of them in India. Kingfisher is oneworld's 12th member, joining other big names such as American Airlines, British Airways, Qantas and Cathay Pacific.

In a separate development, Indonesia is studying the possibility of purchasing a number of Airbus A380s to provide a more efficient service to haj pilgrims.

"We are interested to have the A380 but we will study the feasibility first. We can use the aircraft for haj and umrah [minor pilgrimage]. What matters is the continuity of the use [of the aircraft]," State-Owned-Enterprises Minister Mustafa Abubakar said during a visit to Airbus facility in Toulouse on Thursday.

"By using the Airbus, we can save up to 25 percent on operational costs. We have more passengers per flight, thus lowering the haj fee."

Indonesia sends about 200,000 pilgrims on haj every year. Currently haj flights are run by Garuda Indonesia and Saudi Airlines.

Airbus vice president marketing Andy Shankland said in a meeting with the Indonesian delegates that based on the manufacturer's studies, Indonesia would save \$30 million annually if Garuda operates four A380s.

"Using the A380, [Garuda] can reduce the transportation time by two weeks from the current 70 days.

Meaning a \$600 million cost reduction over 20 years," he said.

Source: thejakartapost.com - 8th June 2010

"The airline served 11.6 million passengers in its 2009-2010 financial year and generated revenues totalling US\$1.2 billion"

IBA PRESS RELEASE - Aero Engine Leasing - the quietly confident sector of aviation.

Aero Engine Leasing - the quietly confident sector of aviation.

What sets engine values apart from aircraft values and why have some of the world's canniest financial institutions invested in this area? Phil Seymour, President and COO of independent aviation consultancy IBA Group, gives his views on this topic ahead of presenting the opening session at UBM Aviation's Aero Engine Leasing, Trading & Finance Conference in London next week.

"Whilst engine values are of course related to the demand for the host aircraft and its engine requirements, there is a third dimension of demand at play that has an almost paradoxical effect as the aircraft programme ages." comments Phil.

"In simple terms, imagine a major airline that operates 100 twin engined aircraft for fifteen years - that airline will have had good economies of scale with respect to its spare engine requirements, and will have around 8-10% of spare engines equating to around 20 units. If after fifteen years those same 100 aircraft are then leased or sold to 25 different airlines, each with four aircraft, the new operators are going to need a higher ratio of spare engines due to the aging effect and shorter time between overhauls that the older engines will require. Their requirement will be closer to 20% as each operator will need two spare engines.

"So, in the longer term, the spare engine requirement has grown from 20 engines to 50 engines. Since many of the airlines will not need or want full time access to spare engines, much of the demand is focused on leasing arrangements. Also, since almost all of the gas path and life limited parts will have been replaced, the value of the engine can become closer to that of a new engine - even after the hypothetical time scale example of fifteen years. This is unlike an aircraft value, which at fifteen years old is going to have depreciated by over 50% of its original value" concludes Phil.

With interest in engine leasing and trading continuing, Phil Seymour will be speaking at the UBM conference on Wednesday 16th June and covering the more general topic of changes in the engine leasing sector and the prime target engines for lessors.

"Whilst engine values are of course related to the demand for the host aircraft and its engine requirements, there is a third dimension of demand at play that has an almost paradoxical effect as the aircraft programme ages"



NEWSWATCH

11th June 2010
Volume 10; Issue 22

A copy of Phil's presentation will be available on request, following the event. This will be sent out free of charge by email, from 18th June onwards. To request a copy of the presentation, or for further information about IBA, topical industry comment, expert opinion, or to arrange an interview, please contact Jennie Tewson on +44 (0) 1403 218588 or email jennie@inter-relations.co.uk.



NEWSWATCH

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IBA Group News

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

Conference Dates

16-17th June - UBM Aviation Aero Engine Leasing and Trading Conference, London - Phil Seymour is attending

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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

Dear Global Friends,

Well if you are not aware that the FIFA World Cup kicks off today in South Africa then you have probably been on another planet (in the future you may be able to fly to another planet in one of the 90 Emirates A380's that they have firm orders for - after all they will need to extend their route network to make use of them)

I have drawn Germany in the office World Cup competition so I wish them well. They could unlock the door to a prize of £30. Actually, come to think of it I am not sure that is a strong enough incentive for me to support them fully, but definitely a consolation prize if England don't win it. Obviously I am a truly International person but I am feeling very nervous about anything to do with Britain or England right now. British Airways are still losing money (despite Willy Walsh not taking his bonus (BONUS!?) and they haven't resolved the cabin crew strike action. Across the Atlantic the British Petroleum corporation seem to be helping fuel (pardon the pun) anti-British feelings. So my message today is one of apology to everyone - it is not my fault, anyway Seymour is a French name. There, I am sure everyone feels much better for that.

Good Luck to all of your teams!

Phil (IBA - the INTERNATIONAL Bureau of Aviation) ad.
Phil
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Go to our website to find the last year editions of Newswatch archived.

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Highlights

- Tropical Cyclone Phet
- Oil spill progress
- Shallow water drilling rules

Closing prices

Crude **July \$74.61**

Heating Oil **July \$2.0391**

RBOB **July \$2.0812**

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

Hurricane season has already been busy with a Pacific storm hitting Mexico and Central America and a powerful Tropical Cyclone impacting activity in the Middle East. While US has been focused on the BP spill in the US Gulf, it is now feared that oil from the Macondo spill in the southern Gulf of Mexico could also enter the Loop Current and cause environmental damage **as far away as the Carolina's**. These incidents have prompted the US to suspend shallow-water drilling permits and make companies resubmit plans for existing projects to make sure revised safety and environmental concerns are being met. We have seen a decent recovery in the markets this week, but remain well supplied. However, markets continue to focus on the economy and the value of the dollar and are not fundamentally driven.

Fundamentals

Week ending 5/28/10	DOE Stocks	Weekly Change	2009	2009 Weekly Change	3 Yr Avg
Crude Oil	363,244	(1,902)	365,977	2,866	338,360
Gasoline	218,984	(2,647)	203,202	(215)	204,610
Distillates	152,988	445	150,036	1,661	128,006

Refinery utilizations were down 0.3% this week at 87.5%. IMPORTS – Were down for crude and products. Implied demand for gasoline and distillate was up this week.

Geopolitical / Economic News

GEOPOLITICAL – Pentagon denies it is sending a US aircraft carrier to the Yellow Sea off the Korean Peninsula; however, the US is conducting military exercises with the South Koreans. Tensions remain high between Israel and Free Gaza organization over humanitarian aid ships trying to sail into blocked ports.

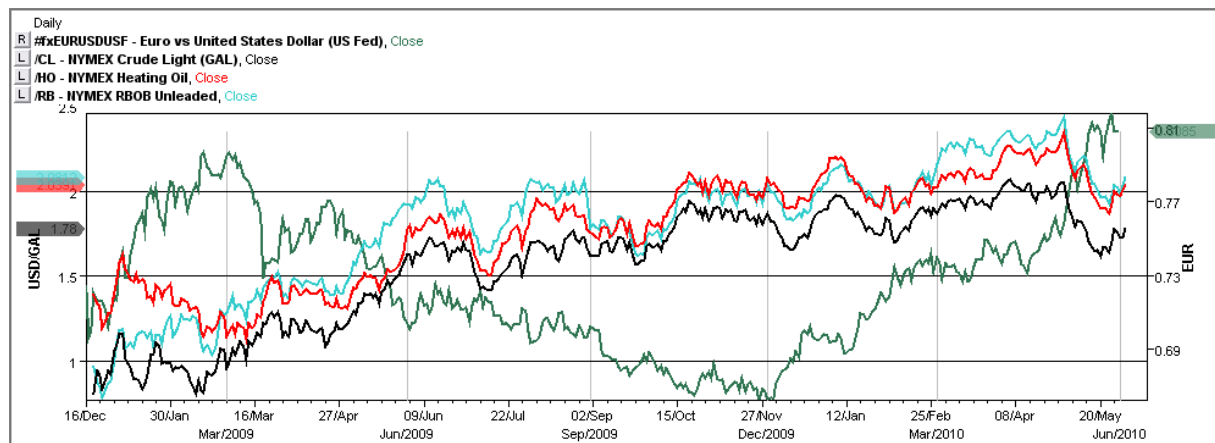
ECONOMIC – US data supports strong home and auto sales helping to counter consumer pessimism regarding the economy and concerns of sovereign debts. Meanwhile, 20 central banks are delaying the withdrawal of emergency stimulus in response to the growing European debt crisis.

Weather

Tropical Cyclone Phet in the Arabian Sea currently is expected to make landfall as a Category 3 equivalent hurricane in Oman. The path is currently expected to miss critical oil field areas, but will disrupt some ship traffic in the area. Heavy thunderstorms are expected in the US Gulf today which will threaten clean up efforts of the oil slick. These storms will move from Texas to the Southeast and Mid-Atlantic states. Warmer than normal Gulf waters will increase the chances of tropical storms and hurricanes this season which would only complicate BP's clean up efforts. **The Pacific Northwest is also getting it's fair share of rain while Southwest continues to heat up and push the jet stream north.**

Technical

Chart Source: MarketView



Heating Oil Futures: Resistance level 2.0800/2.1500, Support level 1.9500/1.8500

RBOB Futures: Resistance level 2.1100/2.1900, Support level 1.9700/1.8900