

In this Issue:

- Spring Airlines leases jets from BOC
- Cracks found in pylons of American Airlines 767s
- Costs threaten ANA budget carrier
- Bombardier jet orders may take off
- Garuda Seeking \$2b Loan To Finance Fleet Expansion
- First Boeing New Generation Aircraft Sold for Part-Out. IBA Group Completes a Successful Sale.
- IBA Group News
- Weekly Oil Market Report

IBA Group Ltd.
IBA House
7 The Crescent
Leatherhead, Surrey
KT22 8DY
United Kingdom

Tel: +44 (0) 1372 224488
Fax: +44 (0) 1372 224489
www.ibagroup.com

Spring Airlines leases jets from BOC

Airlines have started to look for domestic aircraft leasing firms - a break with the past when they would only lease from foreign companies.

Spring Airlines, a Shanghai-based private budget airline, recently inked an agreement to lease airplanes from BOC Aviation, an aircraft-leasing unit of the Bank of China (BOC).

One jet was delivered to the airline Monday, and the other is expected to be delivered next month, BOC said in a statement on Thursday.

The country's aircraft leasing market has offered more alternatives to airlines, Zhang Wuan, a spokesman for Spring Airlines, told the Global Times.

Airlines generally buy some airplanes and lease others. Owning airplanes can result in higher profit margins but require a high investment. Leasing is more flexible, particularly during an economic crisis, Zhang said.

Spring Airlines generally leases airplanes from international firms that have many jets like GE Capital Aviation Services. But the firm has gradually been moving away from foreign suppliers, leasing from ICBC Leasing, a unit of Industrial and Commercial Bank of China (ICBC), according to Zhang.

BOC Aviation bought out Singapore Aircraft Leasing Enterprise, once the largest aircraft-leasing firm in Asia, for \$965 million in December 2006.

Corporate jets have also become an attractive investment for the leasing companies.

Minsheng Financial Leasing, a unit of China Minsheng Banking Corp, bought 17 corporate jets worth 4 billion yuan (\$588.18 million) after the company forayed into the market last year, Zhou Wei, president of the company, said at a forum in Beijing Thursday.

The number of corporate airplanes currently in China has risen to 74 currently from 25 in 2007, according to Zhou. Demand for corporate airplanes is estimated to reach around 1,000 by 2020, Zhou said.

Hou Peng, general manager of the department of aviation finance at ICBC Leasing, is also bullish on the corporate jet leasing market. He said his company like some other State-owned banks, are mainly targeting big airplanes.

Source: Li Qiaoyi, business.globaltimes.cn - 4th June 2010

Cracks found in pylons of American Airlines 767s

Cracks found on the engine mounts on a handful of American Airlines Inc. Boeing 767 jets are likely to result in new inspection schedules for the planes.

The Fort Worth-based carrier said on Tuesday that its inspection of 56 of its 73 Boeing 767s showed cracks in the engine pylons on two of the aircraft. The pylon attaches the engines to the wing and is subject to stress as the plane flies.

One of the cracked pylons is being sent for metallurgical analysis to identify the cause; both were replaced.

The Federal Aviation Administration says cracks were found on three of American's jets. Unlike with other aircraft maintenance issues involving American, the FAA is not saying the cracks resulted from a problem with American's maintenance.

No flights were cancelled as a result of the inspections and American's operations were not affected, spokesman Tim Wagner said.

American's maintenance personnel spotted the cracks when the first 767 was undergoing separate maintenance in the wing and pylon area. The FAA requires checks in the pylon area every 1,500 cycles - each representing one takeoff and one landing - the plane completes.

These cracks showed up on a plane that had been flown fewer than 500 cycles since its last inspection, prompting American to tell the FAA and start a broader inspection, Wagner said.

Inspected planes include its 15 200-series planes, with an average age of 23 years, and 41 of its 58 300-series, with an

“its inspection of 56 of its 73 Boeing 767s showed cracks in the engine pylons on two of the aircraft.”

average age of 16 years.

The FAA said it is working with American and Boeing to determine a cause of the pylon cracking.

"We are aware that cracks were discovered in flanges on the engine pylons of three American Airlines Boeing 767 aircraft during a series of inspections in recent days," FAA spokesman Lynn Lunsford said Tuesday. "We are considering additional action, including requiring more frequent inspections of the engine pylon area."

Under typical procedures, Boeing will investigate the cracks and issue a technical service bulletin to operators of that type plane. Once Boeing issues the guideline, the FAA may choose to draft an airworthiness directive that requires more frequent inspections of the pylons than the current 1,500-cycle rule.

Atlanta-based Delta Air Lines Inc. said it is in compliance with FAA rules on the handful of 767s that are old enough to be affected and will act appropriately if Boeing or the FAA issue new guidelines, spokesman Anthony Black said Tuesday.

Houston-based Continental Airlines Inc. said its 767s, which are 8 years old on average, are not old enough to be affected.

It is too early to determine how the pylons in question were cracked, American spokesman Wagner said.

News of the cracks was first reported Monday night by The Wall Street Journal.

Source: Eric Torbenson, dallasnews.com - 23rd June 2010

"Delta Air Lines Inc. said it is in compliance with FAA rules on the handful of 767s that are old enough to be affected and will act appropriately if Boeing or the FAA issue new guideline"

Costs threaten ANA budget carrier

All Nippon Airways' plan to establish a new low-cost air carrier highlights the company's shift to a more aggressive approach to winning new customers, while it also continues its efforts to cut costs by restructuring flight routes or changing aircraft.

However, a number of questions still remain, such as whether the government will lower the nation's relatively expensive airport usage fees.

At a general meeting of shareholders held on Monday, ANA

President Shinichiro Ito officially announced that ANA is considering launching a low-cost carrier. "As there are a certain number of customers who prefer low-priced services, we're discussing how to operate a low-cost carrier in Japan," Ito said in response to a question from a shareholder.

ANA's plan has been prompted by the actions of budget airlines in Asia, which have increasingly been boosting their presence in Japan. For example, Malaysia-based budget airline AirAsia X has announced a plan to open routes connecting 10 to 12 airports in Japan, including Haneda, Osaka and Nagoya, with international destinations.

"Low-cost carriers have been gaining power in Europe and Asia, and expanding their market shares," Ito said, expressing a sense of urgency.

ANA suspended an earlier plan to establish a low-cost carrier, but the airline is now considering the measure again, encouraged by the growth strategy recently announced by the Land, Infrastructure, Transport and Tourism Ministry.

The ministry's strategy includes such specific measures as constructing and improving dedicated passenger terminals for budget airlines that can be used at lower fees and reducing airport landing fees.

Meanwhile, Kansai Airport, at which ANA hopes to base its new budget airline, made airport landing fees effectively free for newcomer airlines operating international flights in 2009. The airport also is considering constructing a dedicated passenger terminal for low-cost carriers at lower fees.

However, because it is uncertain whether those measures will in fact be realized or continued, ANA remains cautious about launching a low-cost carrier. Kansai Airport's free airport landing fees are scheduled to end next year. The Finance Ministry, which financially supports the airport, is likely to be reluctant to extend the measure.

The bankruptcy administrator of Japan Airlines, which is undergoing court-administered rehabilitation, recently asked the government to lower the nation's airport landing fees and the aircraft fuel tax, as such costs are equivalent to more than 10 percent of JAL's sales. It is impossible for airlines to alter such high-cost structures on their own, and such expenses have weighed heavily on their management.

IBA's Comment:

"ANA should not have any difficulties in sourcing good aircraft for a low-cost airline division given the numbers of narrowbodies parked worldwide. The island nature of the Japanese route network and its proximity to China and Korea provide the ideal conditions for development of such operation."
- David Rushe

Therefore, the success or failure of ANA's plan for a new low-cost carrier likely will depend on issues such as whether the government can reform such high-cost structures.

Source: Shoichi Shirahaze & Masataka Morita, yomiuri.co.jp - 23rd June 2010

Bombardier jet orders may take off

Bombardier Inc. and other Canadian aerospace manufacturers are expected to announce new orders at next month's air show of the year at Farnborough, U.K., an industry analyst said on Monday.

Cameron Doerksen of Versant Partners said the air show should be more active than last year's Paris Air Show, which shares the spotlight with the Farnborough show southwest of London on alternating years.

Hopes are high for the Montreal-based company's CSeries, a new-generation passenger jet, a technologically advanced aircraft that Bombardier has been selling in advance of manufacturing. Deliveries are scheduled to begin in 2013.

"Bombardier has the potential to make the biggest news at Farnborough as a new order(s) for the CSeries is widely expected," Doerksen said in a report.

Several other manufacturers, including simulator and training company CAE Inc. and landing gear maker Heroux-Devtek Inc., could also disclose orders, the analyst added.

Qatar Airways and Chinese airlines are rumoured to be closest to proceeding with a purchase from the world's third-largest aircraft manufacturer.

Bombardier says it is speaking with about 60 airlines, including a handful that are close to placing orders.

Spokesman Marc Duchesne said the company hopes to be able to announce orders at Farnborough but said it is hard to "speculate" if they will be finalized within the next six weeks.

"Will there be anything at Farnborough? Hopefully yes but I cannot speculate," he said in an interview outside a mockup of its new all-composite Learjet 85, which like the CSeries is

IBA's Comment:

"With all the talk about re-engining and replacements for the 737NG and A320, a large C-Series order at Farnborough would be a big plus for Bombardier. The challenge lies in convincing airlines to buy in large numbers, with the present oversupply of regional and narrowbody jet aircraft."
- David Rushe

scheduled to enter into service in 2013.

Bombardier will also announce its aerospace market update at the air show.

The industry has faced a tough year as the economic recession has forced many buyers to cancel or defer orders. Bombardier said it expects its commercial and business aircraft deliveries will decrease this year even though the situation has bottomed and shows signs of improvement.

Used inventories are down, but remain high. Corporate aviation information provider Jetnet says the percentage of used business jets for sale decreased to 15.5 per cent in April from a high of 17.7 per cent in July 2009.

Despite the challenges facing business aircraft manufacturers, Bombardier has not lost one of the 60 firm orders for the Learjet 85, says Ralph Acs, vice-president of the program.

"We're approximately where we thought we would be so we feel good about it," he said at one of the company's facilities near Trudeau International Airport.

Source: Ross Marowits, thechronicleherald.ca - 22nd June 2010

"it expects its commercial and business aircraft deliveries will decrease this year even though the situation has bottomed and shows signs of improvement"

Garuda Seeking \$2b Loan To Finance Fleet Expansion

Flagship carrier PT Garuda Indonesia on Monday said it was in talks with Export-Import Bank of the United States for a loan worth up to \$2 billion to be used to expand its fleet.

Garuda president director Emirsyah Satar said the company had submitted a loan proposal and was in talks with the bank for a loan ranging from \$1.5 billion to \$2 billion, with the money to be spent to lease 10 Boeing 777s and 10 Boeing 737-380s.

Garuda is undergoing a major expansion of its fleet, with plans to increase the number of planes to 103 by 2013, up from 67 at the end of last year.

The company had said it would also use proceeds from its initial public offering, scheduled for this year, to finance its expansion. It expects to raise up to \$400 million from the IPO.

The carrier expects to add 25 Boeing 737-800s, 10 Boeing 777s and one Airbus A330-200 by the end of next year, Emirsyah said. The financing had been arranged for 15 of the Boeing 737s this year, he said.

"Each month, we're seeing one or two new planes coming to our hangar."

Garuda has spent most of the year restructuring debt. In January, it reached an agreement with debt-holders to restructure international and local-currency debt, including buying back \$138 million in debt, to clean up its balance sheet ahead of its IPO.

Last week, Minister of State-Owned Enterprises Mustafa Abubakar said Garuda had reached an agreement to extend the maturity of \$241.2 million of debt to the European Credit Agency.

The carrier posted a Rp 1 trillion (\$111 million) profit in 2009.

Emirsyah also announced the opening at the end of the year of a new route to Taipei, and said the carrier would also increase the number of flights to Shanghai and Beijing.

A new Jakarta-Tokyo route will begin on Sept. 1, he added.

Garuda resumed travel to Europe this month, starting with Amsterdam, after a six-year absence due to losses and a European ban on all Indonesian airlines in 2007.

The company is also looking to open routes to London, Frankfurt, Paris and Rome as early as next year.

Source: Faisal Maliki Baskoro, thejakartaglobe.com - 21st June 2010

IBA's Comment:

"2009 and 2010 have brought an impressive turnaround for the restructured Indonesian carrier. The airline has been bullish with its finances and expansion plans and is in a much stronger position to capitalise on any market recovery"

- David Rushe

First Boeing New Generation Aircraft Sold for Part-Out. IBA Group Completes a Successful Sale.

The first Boeing NG aircraft, a 1999 vintage B737-600, has been sold to CT Aerospace for part-out. The aircraft is currently being dismantled at Cotswold Airport in Gloucestershire. The aircraft, formerly owned by FlyGlobespan who entered Administration in December 2009, had recently been returned

off a sub-lease from Midwest Airlines in Egypt.

PricewaterhouseCoopers, the Joint Administrators of the FlyGlobespan Group of Companies, appointed IBA Group in February 2010 as Advisers and to manage and exclusively remarket the aircraft. A spokesman for the Joint Administrators commented "We are very pleased with the outcome especially since IBA has achieved a sale price that exceeded our original price expectations, meaning there will be more cash available for shareholder distribution."

Owen Geach, Commercial Director for IBA Group and who managed the remarketing campaign added, "This assignment presented several challenges such as ensuring we could redeliver the aircraft from Egypt meeting return conditions and with all back to birth records in place. There were many complex matters to deal with such as liaison with the Egyptian CAA over Airworthiness renewal, identification and re-creation of missing records and meeting CT Aerospace's delivery requirements. We are delighted that this important assignment has been concluded to the satisfaction of all parties involved."

Source: IBA Group with Inter Relations & Company - 18th June 2010

"We are very pleased with the outcome especially since IBA has achieved a sale price that exceeded our original price expectations, meaning there will be more cash available for shareholder distribution."





NEWSWATCH

25th June 2010
Volume 10; Issue 24

IBA Group News

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

EMB 145MP

IBA is pleased to offer for medium or long term dry lease one EASA Compliant EMB 145 MP aircraft. For further details, please contact 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

1998 Eurocopter EC135T1 - MSN 0063, police role equipped helicopter in excellent condition AFTT 9040.

Price: Make Offer - 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

I hope you will not be too disappointed to find that the photograph I promised from Sydney has not been published. Following the dramatic circumstances of England's third match I found the tension too great and the photograph is best left in its confidential state. Actually I was told that the wearing of a red and white wig in a Sydney bar at midnight was probably not good for my long term health. The prospect of Sunday's match with Germany means I am in a win-win situation because you will recall that I have Germany in the office sweepstake.

A relaxing Sunday afternoon watching the match is the perfect antidote to a 24 hour flight back to London. I may sleep through the match.

There was a change of Australian Prime Minister almost coincident with my exploits in the Sydney bar. I woke up to find the new PM had red hair. I wondered where I had left my wig.

Phil.

Phil.seymour@ibagroup.com

"Newswatch" is a free weekly round-up collated by IBA Group Ltd.

Go to our website to find the last year editions of Newswatch archived.

To either SUBSCRIBE or UNSUBSCRIBE to this newsletter, please send an email to marketing@ibagroup.com with your request.

The items in this document do not necessarily represent the opinion of IBA, and is intended to be for information purposes only. Therefore, IBA assumes no responsibility or legal liability for any action taken, or not taken, by the addressee, or by any other party, with regard to the information and views contained.

As a leading independent aviation consultancy, IBA Group Ltd. offers technical advice, commercial business solutions & asset valuations for our worldwide client base.

Compiled & Edited by Alice Gondry
www.ibagroup.com

Tel: +44 (0)1372 224488 Fax: +44 (0)1372 224489



Highlights

- Tropical Storms
- Interest rates
- Deepwater drilling resumes

Closing prices

Crude
Aug \$77.85 ↓

Heating Oil
July \$2.0684 ↓

RBOB
July \$2.0823 ↓

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

Contact Us

Deborah Neal
 dneal@WFSCorp.com
 (281) 556-2527

Executive Summary

Market continues to be driven by economic data and the Fed's pledge to keep rates lower due to the slower recovery was renewed today. With oil inventories remaining high, the combination of weaker stock markets and overall fundamentals will continue to drive prices lower. Adding to supply for the longer term, deepwater drilling can now resume in the Gulf as an industry case challenging Obama's decision to suspend drilling has been settled in favor of the industry. However, we should not get too comfortable with this trend as we already have activity in both the Pacific and Atlantic in terms of tropical storms. We will keep a close watch on the disturbance in the Caribbean which could threaten the offshore production, imports/export activity, and could be a serious threat to the oil spill clean up.

Fundamentals

Week ending 6/18/10	DOE Stocks	Weekly Change	2009	2009 Weekly Change	3 Yr Avg
Crude Oil	365,122	2,017	353,853	(3,868)	335,501
Gasoline	217,578	(762)	208,905	3,871	206,748
Distillates	156,919	297	152,103	2,077	130,657

Refinery utilizations were up 1.5% this week at 89.4%. IMPORTS – Were up for crude and gasoline, but down for distillates. Apparent demand for gasoline was down, while distillate was up.

Geopolitical / Economic News

GEOPOLITICAL – Earlier this week, a federal judge overturned the Obama Administration's 6-month suspension of deep water drilling. President Obama has accepted General McChrystal's resignation as commander in Afghanistan following his recent controversial comments. General Petraeus has been asked to be his replacement.

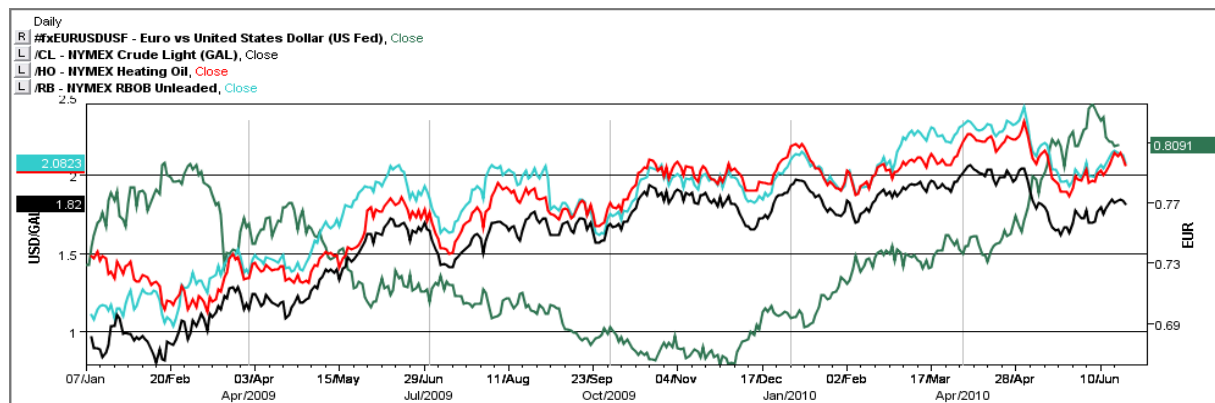
ECONOMIC – Federal Reserve retained low interest rates for an "extended period" stating that European debts may hurt growth in the states. Sales of new homes slide in US as the tax credits expire. Unemployment rates remain near a 26-year high.

Weather

Pacific now has Hurricane Celia and Tropical Storm Darby south of the Gulf of Tehuantepec in southern Mexico. NHC is still giving the Atlantic storm currently in the Caribbean a 30% chance of strengthening in the next 48 hours into a cyclone. If a storm develops, possible tracks range from Louisiana to the south Texas and will not be more concrete until a storm center can be identified. Long term forecasts are calling for temperatures to challenge one of the hottest summers on record for most of the country through August. The West Coast, Pacific Northwest, and maybe the western Dakotas will see more normal temperatures. Tropical storms may be the only temperature relief in the Southeast this summer.

Technicals

Chart Source: MarketView



Heating Oil Futures: Resistance level 2.1750, Support level 2.0430

RBOB Futures: Resistance level 2.1920/2.2450, Support level 2.0300

Crude Oil Futures: Resistance level 79.10/80.70, Support level 75.65

Disclaimer: The data, information and related graphics (collectively, "Information") is for general information use only and is compiled from sources believed to be reliable. World Fuel Services Corporation and its subsidiaries and affiliates (collectively, "WFS") do not guarantee its accuracy or completeness, nor does WFS assume any liability for any inaccurate or incomplete information. The Information is not intended to be a research report nor an analysis of a company and it should not be relied upon for making investment decisions. The information is subject to change without notice, is for general information only and is not intended as any offer or solicitation with respect to the purchase or sale of any financial instrument or as personal investment advice.