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## Delta sells regionals Mesaba, Compass

Delta Air Lines on Thursday sold regional carriers Mesaba Airlines and Compass Airlines for \$82.5 million amid what some analysts say is a slowdown in regional airline growth in the past six years.

Both carriers will continue to provide regional flight connections for Delta and maintain the same flight schedules, and passengers should see no change in service. Delta, the world's largest airline, said the move is part of its plan to streamline its regional operations to save money.

"We don't necessarily have to own these assets to derive value from them," said Delta spokeswoman Kristin Baur. "While Mesaba and Compass are under new ownership, they will continue to operate as they do today with new Delta agreements."

Compass and Mesaba's combined fleet of more than 130 aircraft will continue to fly Delta routes.

In addition, both regional airlines, which Delta inherited in its merger with Northwest Airlines, will continue under the same presidents, and both will keep their Twin Cities headquarters locations, Delta said. Mesaba was sold to Pinnacle Airlines Corp. of Memphis for \$62 million, and Compass was sold to Trans States Holdings, the parent of St. Louis-based Trans States Airlines, for \$20.5 million.

Pinnacle spokesman Joe Williams said the acquisition would combine two airlines whose biggest business partner was Delta. The deal also would enable them to seek partnerships with other airlines - something Mesaba could not do as part of Delta.

Publicly owned Pinnacle had earnings of \$41.9 million last year on revenue of \$845.5 million. Mesaba's financial results from last year were not available.

Analysts said that slowed growth may have been why Delta chose to sell Mesaba and Compass.

Delta shrank regional capacity by 4.2 percent for the first five months of this year compared with the same period a year earlier. Its mainline capacity fell by 1.2 percent during that time. Delta Connection carriers fly a combined 3,600 commuter flights to more than 260 cities.

In general, major carriers are handing over more of their flights to regional operators because it is a cheaper way to fly. By selling the regional units, airlines can maintain the benefits of the less-expensive operations without having to run them directly. Fort Worth-based American Airlines earlier this month reiterated its plan to find a suitor for its American Eagle subsidiary.

Pinnacle Airlines Corp. is the parent company of Pinnacle Airlines and Colgan Air Inc. Trans States Holdings Inc. is the parent company of regional airlines Trans States Airlines and GoJet Airlines. It operates as United Express and US Airways Express.

Source: Steve Alexander, startribune.com - 2<sup>nd</sup> July

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## RAK Airways to relaunch services in months

RAK Airways, the UAE's fourth national carrier that halted commercial operations more than a year ago amid a deepening global aviation industry downturn, said on Wednesday that it would relaunch services before the end of this year.

"We are now ready to make a strategic re-entry into the market," Shaikh Omar bin Saqr Al Qassimi, Chairman of RAK Airways, said in an emailed statement.

He said the exceptionally tough market conditions, created by the global economic turndown during 2008/09 which had forced the young airline to suspend schedule services in May 2009, had "now sufficiently abated."

"We have a lot of exciting new plans, which will be unveiled soon. Omar Jahameh, our recently appointed CEO and his team are finalising the details of our flights to destinations in the Gulf, Africa and the Indian Sub Continent," he added.

"The decision to relaunch the airline is part of the ambitious vision of Shaikh Saud Bin Saqr Al Qassimi, Crown Prince and Deputy Ruler of Ras Al Khaimah, aimed at boosting tourism in the emirate. RAK Airways is viewed as a key part of that plan," Shaikh Omar concluded.

RAK Airways was established in January 2006 and launched operations in November 2007 with a service to Dhaka. The airline is a private joint stock company incorporated in the RAK Investment Authority Free Zone with an authorized capital of

### IBA's Comment:

"Plenty of competition exists in the Middle East for the re-emerged RAK Airways. Low cost airlines continue to take a grip on the region and competition has increased among the major carriers on medium-haul routes."

- David Rushe

Dh1.5 billion.

Apart from Dhaka, the airline serviced five destinations, including Colombo, Beirut, Chittagong, Calicut and Sofia.

The airline started operations with two Boeing 757-200s and in February 2008 signed a deal for four 737-800s with purchase rights for two additional 737s, worth around \$300 million.

Early this year, the company dismissed its sixth chief executive since inception and revealed it was renegotiating an aircraft order with Boeing.

When RAK Airways ended scheduled passenger services, the carrier laid off 60 employees and reduced its fleet from three aircraft to one. Since then, the airline has been operating on a charter-only basis. The airline's relaunch move comes amid upbeat projections for the aviation sector globally and regionally.

The International Air Transport Association recently noted that Middle Eastern carriers posted a 17.5 percent increase in demand during May year-on-year and were still outperforming the global average of 11.7 percent growth as they continue to win market share by connecting long-haul traffic through their hubs.

The Middle East was the second highest-performing region in terms of demand, behind Latin America.

According to IATA, the Middle Eastern airlines would make a \$100 million profit this year, the industry's first since 2005. The agency said that the better outlook for the Middle East was partly due to regional GDP growth of 4.3 percent outstripping the global average.

Source: Issac John, khaleejtimes.com - 1<sup>st</sup> July 2010

“Middle Eastern carriers posted a 17.5 percent increase in demand during May year-on-year and were still outperforming the global average of 11.7 percent growth as they continue to win market share by connecting long-haul traffic through their hubs.”

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## JAL's net negative worth hits ¥1 trillion

Japan Airlines Corp. said on Wednesday that its negative net worth – liabilities in excess of assets – has expanded to about ¥1 trillion.

The figure, including capital deficits at two subsidiaries, has grown because of costs involved in a review of the airline's flights and routes as well as a re-examination of assets,

according to JAL and Enterprise Turnaround Initiative Corp. of Japan, the state-backed administrator overseeing the carrier's rehabilitation.

Hideo Seto, trustee of ETIC, said at a joint news conference with JAL executives that they are set to formally ask the carrier's creditor banks from Thursday for an additional debt waiver.

Given the end of August deadline for the submission of JAL's turnaround plan to the Tokyo District Court, Seto said they will do their best to gain the creditors' acceptance by early that month.

Sources said the banks are likely to object to a larger waiver, dragging out their negotiations with JAL.

JAL officials urged the financial institutions to trust the turnaround efforts.

"We will draw up a firm turnaround plan and have it executed by our employees with a new mind-set and sense of values," JAL President Masaru Onishi said.

JAL will meanwhile scrub training for 130 would-be pilots and freeze its pilot training program for the next five to seven years, sources said.

The airline plans to ask the 130 trainees to work as ground staff or solicit early retirement under special benefits, the sources said.

JAL has also decided to close its pilot training facility in California by the end of this fiscal year in March, they said.

The airline has already suspended most pilot training since April because it is expected to have a surplus when it cuts domestic and international routes.

Under the in-house pilot training program, JAL recruits university graduates and sends them to the U.S. training facility to obtain a commercial pilot's license.

They return to Japan for further training to become co-pilots.

It costs several hundred million yen for the airline to train a pilot.

Source: Kyodo News, [japantimes.co.jp](http://japantimes.co.jp)- 1<sup>st</sup> July 2010

"they are set to formally ask the carrier's creditor banks from Thursday for an additional debt waiver."

## WTO ruling slaps Airbus

In an unambiguous ruling against Airbus made public on Wednesday, the World Trade Organization said the European planemaker received illegal subsidies for every jet program it has launched since it entered the market 40 years ago.

Publication of the ruling, at the end of six years of litigation, could ignite a political firestorm between the U.S. and the governments of the European Union as Airbus prepares to firm up similar government subsidies for its upcoming A350 jet that will challenge Boeing's 777 and 787 jets.

In addition, Boeing supporters in Congress will use the ruling to try to block Airbus parent company European Aeronautic Defence and Space Co. in its bid for the Air Force tanker program.

Airbus indicated it is likely to appeal and said it expects the dispute "to continue for a few more years" before resolution.

The WTO panel ruled that the huge subsidies distorted the commercial jet market and harmed Boeing through lost sales and consequent lost production.

The report said that the subsidies were crucial to Airbus' rapid rise in the jetliner business, taking market share away from Boeing. It flatly states that Airbus' success would not have been possible without \$15 billion in illegal launch aid loans and \$5 billion in other illegal support from European governments.

"It would not have been possible for Airbus to have launched all of these models, as originally designed and at the times it did, without [launch aid or member state financing]," the report states. "Even assuming this were a possibility, and that Airbus had actually been able to launch these aircraft relying on only market financing, the increase in the level of debt Airbus would have accumulated over the years would have been massive."

"Even in the unlikely event that Airbus would have been able to enter the [large jet] market as a nonsubsidized competitor, we are confident that it would not have achieved the market presence it did," the report said.

Without the subsidies, it said, Airbus would have been a "much different, and we believe a much weaker, manufacturer," and the U.S. commercial jet industry "at a minimum ... would have had a larger market share."

The harm to Boeing came through significant lost sales, the report concludes, citing big Airbus orders from 10 specific

"The WTO panel ruled that the huge subsidies distorted the commercial jet market and harmed Boeing through lost sales and consequent lost production."

airlines: Emirates, Qantas, Singapore Airlines, easyJet, Air Berlin, Air Asia, Iberia, South African Airways, Thai Airways International and Czech Airlines.

"That means lost production, lost profits and contributes to lost jobs" in the Pacific Northwest, said an attorney with the U.S. Trade Representative's office in a teleconference call following the release of the report.

The WTO report said that all of Airbus' launch aid loans from EU governments "may be characterized as unsecured loans granted to Airbus on back-loaded and success-dependent repayment terms, at below-market interest rates."

Boeing Chief Executive Jim McNerney urged swift action by the EU to come into compliance with WTO rules.

Source: Dominic Gates, thesunnews.com - 1<sup>st</sup> July 2010

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## Ryanair to cut winter capacity at Stansted by 17pc

Ryanair will cut its capacity at Stansted this winter by 17pc, slashing 135 flights a week from its schedule there during the season.

The low-cost carrier will have 22 aircraft based at Stansted, which is its largest base, compared to 24 during the 2009-2010 winter period. That will result in approximately 1.5 million fewer passengers at Stansted between November and March, the airline said on Tuesday.

Ryanair chief executive Michael O'Leary said that the decision to operate a reduced winter service at Stansted was a direct result of both the UK government's £11 travel tax as well as what it said were high charges being levied by airport operator BAA, the Spanish-owned group that controls facilities including Stansted and Heathrow. Ryanair's total UK capacity is being cut by 16pc.

Mr O'Leary maintained that independent analysis has demonstrated that growth has returned to the Belgian, Dutch and Spanish markets after their respective governments scrapped tourist taxes and reduced airport charges.

Last winter, Ryanair scaled back the number of aircraft based at Dublin from 18 to 14, and suspended some routes. However,

"growth has returned to the Belgian, Dutch and Spanish markets after their respective governments scrapped tourist taxes and reduced airport charges"

a significant part of Ryanair's capacity at Dublin is derived from aircraft that are not based in the capital.

In the winter of 2008-2009, Ryanair grounded 20 aircraft, or about 10pc of its total fleet.

Earlier this month, deputy chief executive Michael Cawley said no final decision had been made about how many aircraft Ryanair would base at Dublin this winter.

Meanwhile, international scheduled air passenger traffic rose 11.7pc year-on-year in May and freight levels jumped over 34pc, according to new figures from the International Air Transport Association (IATA).

Giovanni Bisignani, IATA's director general, said demand had "rebounded strongly" last month following the impact on flights due to the Icelandic volcanic eruption. He added that passenger traffic was now 1pc above pre-recession levels, whilst the freight market was 6pc bigger.

He warned that although international airlines were poised to post a combined \$2.5bn (€2bn) profit this year, the figure only represented a 0.5pc profit margin.

"We are still a long way from sustained profitability," added Mr Bisignani.

Source: John Mulligan, independent.ie - 30<sup>th</sup> June 2010

## IBA's Comment:

"The airline continues to offer low fares despite these charges, which makes their recent healthy profit results all the more remarkable in the current climate."

- David Rushe

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## New era in Cyprus aviation: KTHY partners with Atlasjet

Cyprus Turkish Airlines (KTHY) has reached an agreement with Turkey's Atlasjet to establish a joint venture on a 50-50 profit sharing model for a term of five years, heralding the dawn of a new era in the problem-ridden civil aviation sector of the Turkish Republic of Northern Cyprus (KKTC).

The partnership structure of the joint venture - between Atlasjet and the KKTC Contingency Fund - will be 51 percent to 49 percent in favour of Atlasjet.

KKTC Prime Minister İrsen Küçük announced the deal on Sunday evening, underlining that the two companies had finally resolved all sticking points and reached an agreement. "After the establishment of the new company, KTHY will continue its operations with a new brand name: 'New Cyprus Turkish

Airlines’,” he said. “Flights will begin in May 2011 at the latest. Until then, all flights will be undertaken with the Atlasjet fleet under the title ‘Cyprus-Turkish’.”

KTHY and Atlasjet have reached an agreement to form a joint venture for a term of five years. Atlasjet will allocate \$20 million to the restructuring of KTHY and the flights are planned to begin in May 2011 at the latest

Küçük also added that 12,000 passengers who previously bought KTHY tickets will be carried by Atlasjet free of charge.

Last week, the Turkish Cypriot Civil Aviation Department suspended all flights conducted by KTHY after invalidating its operation certificate due to \$40 million in debt in default. Following the suspension of flights, Hava-Sen, a KTHY workers’ union, went on strike at Ercan Airport.

KTHY’s chronic financial problems and growing debt, which currently stands at around \$100 million, forced the government to call for bids last month to find a partner for the troubled airline.

Küçük also said in his speech that KTHY has been relying on support from Turkish Airlines (THY), but that this was not enough to carry the Cypriot company to sustainable success. “I want our public and the media to question what happened in this issue and who did what for what reason. We will assign the Prime Ministry Inspection Board to investigate the entire process. We are also optimistic about the establishment of an investigative commission in parliament to delve into the process. The National Union Party [UBP] has high confidence in itself [pertaining to developments concerning KTHY].”

In a written statement on Monday, Atlasjet said the new joint-venture company will not run on the low-cost model but that it will fully abide by national airline standards and offer business class on its flights. Atlasjet said it would allocate \$20 million to the restructuring of KTHY and improvements in its efficiency.

“Atlasjet will undertake the requirement of providing \$5 million for the capital of the new company along with another \$15 million to cover the costs of carrying passengers who had bought tickets from KTHY,” the company statement read. It also underlined that the term of the partnership will end on Dec. 31, 2015, with the option to be extended for another five years, if the KKTC agrees.

“the new joint-venture company will not run on the low-cost model but that it will fully abide by national airline standards and offer business class on its flights.”

“Atlasjet will undertake the requirement of providing \$5 million for the capital of the new company along with another \$15 million to cover the costs of carrying passengers who had bought tickets from KTHY”

Source: [todayszaman.com](http://todayszaman.com) - 29<sup>th</sup> June 2010



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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](mailto: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](mailto:mark.wooller@ibagroup.com) or call: +44 (0) 1372 224488

IBA has a mandate to sell an ATR 42-320 msn 0240. This is a 1991 model, currently on lease to Fly540 in Kenya. The lease is for 60 months from June 2007 at a rental of \$55,000 per month plus maintenance reserves. Options exist to purchase the aircraft with the existing lease in place or with no lease. If this opportunity would be of interest, please contact Owen Geach ([owen.geach@ibagroup.com](mailto:owen.geach@ibagroup.com))

## Publications - 2010 Editions

Please contact [marketing@ibagroup.com](mailto:marketing@ibagroup.com) for more information.

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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

Well, England fell well short of expectations in the world cup. Even if the now infamous Lampard "shot that crossed the line" was actually given, there are few that think that the confident German team would not have progressed. Of course it was tough for me, being the holder of the Germany team in the IBA office sweepstake.

Whether they have enough to make it past Argentina is the next question.

I had a trip down memory lane last night, a concert at Wembley featuring The Osmonds, Leo Sayer, David Essex and the Bay City Rollers. It was Mrs Seymour's idea and whilst a trip to Wembley to see Arsenal or England would have been my preference, it is probably the closest I will get to the hallowed turf this year.

Phil,

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