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## **ATR 42-600 Begins Test Flight Campaign**

The ATR 42-600 pre-series aircraft successfully took to the sky for the first time on Thursday. The aircraft, powered with Pratt & Whitney 127M engines, took off from Toulouse, France at 3.00 pm and completed a 2-hour flight, which marks the launch of a flight test campaign of approximately 75 hours.

Among other checks, the aircraft underwent tests regarding performance of the engines and functionality of its specifically developed new avionics, which integrates the newest computer systems and software for navigational aids, flight data recording, automatic piloting and communications. Pilots also tested hydraulic and electrical systems and blade balancing.

The high degree of commonality between the ATR 72 and the ATR 42 will enable the ATR 42-600 to benefit from certain tests completed by the ATR 72-600, whose 150-hour flight campaign started in July 2009. Both the ATR 42-600 and ATR 72-600 will enter into service in 2011.

"The first flight of the ATR 42-600 culminates the dedication and strong efforts of our team and our partners in order to prepare this new aircraft for its flight test campaign," said Stéphane Mayer, ATR's Chief Executive Officer. "With the ATR 42-600, we are proud to develop a new aircraft that has been specifically designed to optimally match the 50-seat regional market requirements, both in terms of comfort and performance". He concluded: "It is our aim to propose our customers with aircraft featuring the most advanced technologies and we are convinced that the new ATR '-600 series' programme will strongly contribute to consolidate our worldwide success and leadership."

Launched in October 2007, the new ATR '-600' series follows its development phase according to the schedule planned for both aircraft types. To date, ATR has recorded firm orders for 59 of these aircraft (5 ATR 42-600s and 54 ATR 72-600s).

Source: [asiatraveltips.com](http://asiatraveltips.com) - 5<sup>th</sup> March 2010

## Airbus, Boeing bullish on Indian market

Aircraft manufacturers Airbus and Boeing seem to be bullish on the Indian market, which is likely to grow to \$100 billion to \$135 billion by 2028. Similarly, Indian carriers including low-cost carriers (LCCs) are expected to induct several very large aircraft such as Airbus' A380 and Boeing's 787 over the next 20 years.

"The Indian aircraft market will require about 1,032 aircraft by 2028. With the passenger air traffic slated to increase, besides freight, carriers have to strengthen their fleet sizes gradually," said Miranda Mills, Vice President, Sales, Airbus (India).

According to estimates, the global aircraft market is poised to be a \$3.1-trillion market by 2028. "More than 92 per cent of the traffic flow will be to and from 82 big cities, a majority of them being from Asian countries," she added.

While Airbus estimates that of the 993 passenger aircraft needed, 638 would be single aisles (like A320s), 287 twin aisles (like A350XWBs) and 68 very large aircraft (like A380s), rival Boeing predicts that the Indian market will need 1,000 commercial jets worth about \$100 billion over the next 20 years.

"If you take a realistic and broad look at the India market, what resonates is that the future growth of air travel is among the greatest in the world," said Dinesh Keskar, President, Boeing India.

The market forecasts further predict that India would be the fastest growing country for air travel for the next ten years with domestic traffic increasing by an average 12.2 per cent per year.

Interestingly, it is not just large players which will contribute to the growth story, but LCCs such as Indigo, Go Air and Spice Jet will also play an instrumental role.

Source: [expressbuzz.com](http://expressbuzz.com) - 5<sup>th</sup> March 2010

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### IBA's Comment:

"IBA, like the manufacturers, believes that India will be a key growth area as it had been before the downturn. This can be illustrated by the clamour of MRO operators looking to move into or expand in the Indian sub-continent."  
- David Rushe

## Lufthansa reports 2009 net loss of \$152 million

German airline group Deutsche Lufthansa AG said Tuesday it lost 112 million Euros (\$152 million) in 2009 as the industry struggled with low demand and weaker premium traffic sales through the economic downturn. The loss compared with a net profit of 542 million Euros in 2008.

The Cologne-based company, Europe's largest airline by sales, said operating profit fell 90 percent to 130 million Euros from 1.3 billion Euros in 2008. In what it called "a difficult financial year," Lufthansa said 2009 revenue fell 10 percent to 22.3 billion Euros compared with 24.8 billion Euros in 2008.

Given the net loss, the executive board will propose not to distribute a dividend for the financial year 2009, the company said Tuesday. Lufthansa did not provide a more detailed report or fourth quarter figures, but is scheduled to release its full 2009 earnings on March 11.

The company has said earnings for the last quarter and year would be substantially lower as it battles the effects of the downturn, which has caused demand for passenger and freight traffic to fall. Sales of lucrative first and business class tickets have also been hit as passengers opt for cheaper economy class seats.

Despite the lower numbers, there have been bright spots over the last year. In the third quarter of 2009, Lufthansa said it increased earnings as a result of the inclusion of new companies like Austrian Airlines and British Midland, whose contributions were recently consolidated into the group. Lufthansa also owns or holds stakes in other airlines including Swiss International Airlines, Brussels Airlines and JetBlue of the U.S.

In February the company and its Lufthansa pilots' union were able to stop a strike short of the four days of walkouts planned. The Lufthansa pilots went on strike for job security and fears that the company may switch routes - and therefore jobs - to cheaper group airlines. Talks between the two sides for a contract guarantee are to continue.

Source: AP, lasvegassun.com - 5<sup>th</sup> March 2010

"In the third quarter of 2009, Lufthansa said it increased earnings as a result of the inclusion of new companies like Austrian Airlines and British Midland"

## Malév to save more than HUF 6 billion a year

Malév's business plan contains annual savings of more than HUF 6 billion, which the Hungarian airline aims to achieve by renegotiating supplier contracts, cutting staff, and reducing general costs, as well as through new ways of selling tickets and the cheaper operation of its scaled-down fleet, CEO Martin Gauss told MTI in an interview.

Following 200 layoffs since 2008, a further 300-400 redundancies have to be made, Gauss said. The goal is to bring Malév's headcount, not including staff at its subsidiaries, to about a thousand from the current 1,300, he added.

The business plan can only be implemented, Gauss stressed, if the European Union approves the Hungarian government's "rescue and restructuring plan," which prepares for the airline's restructuring.

The business plan counts on making the airline profitable at operating level - that is, revenue would cover the cost of operations - by 2012.

Malév started implementing the business plan already last year by scaling down its fleet. Instead of five types of aircraft, the fleet now has just two: 18 Boeing 737 Next Generation aircraft and four Bombardier Q400 aircraft for destinations in the region.

Malév aims to achieve more favourable conditions than earlier by renegotiating its contracts with suppliers. This is made possible because Malév's ownership structure has been settled and its financial position strengthened. The airline has already renegotiated its open invoices with its biggest partner, Ferihegy airport operator Budapest Airport, and agreed on a payment plan.

Gauss said Malév would pay all of its back taxes with the HUF 20.7 billion in cash under the Hungarian and Russian agreement, and there would still be almost HUF 4 billion left over. From this, it will pay a part of what it owes suppliers and finance its daily operations. Of course, Malév also generates revenue for its daily operation, he added.

Gauss would not reveal the size of the financial resources

"The business plan counts on making the airline profitable at operating level - that is, revenue would cover the cost of operation - by 2012

necessary for the airline because he did not want to reveal any information about negotiations still underway. He did say, however, that fresh capital in addition to the almost HUF 4 billion in cash would be necessary for Malév.

Malév's way of selling tickets is getting close to that used by low-fare airlines: price-sensitive passengers are being offered tickets in a cheaper category, but business passengers are being offered prices with a better price-to-value ratio than Malév's competitors. To determine the optimal price, Malév is investing in price management software, Gauss said.

Malév was able to save about HUF 6 billion on costs last year compared to 2008, by reductions in aircraft rental fees and staff, as well as by renting a smaller office space. It cut the number of vehicles in its fleet. Malév closed some foreign representatives and was able to negotiate new contracts with better terms for ground services at foreign airports. The business plan target is that the overall, general costs will be reduced by about 15%.

Gauss said he believed it would be worthwhile to sell Malév's ground services unit Malév Ground Handling (Malév GH) and its maintenance unit Aeroplex only if it serves the long-term interests of the airline. These units raise Malév value, he said, noting that the government aims to privatize the airline again after its restructuring.

Gauss said: Malév is an important company from the point of view of the Hungarian economy and keeping it on its feet serves Hungarian interests. Malév accounts for one-half of passenger numbers at Ferihegy and any other airline would have to produce at least 400% growth to achieve this.

Under the Hungarian and Russian agreement reached on February 26, the Hungarian state acquired a 95% stake in Malév in a debt for equity swap. The Hungarian state did not buy the airline from Russia's state-owned Vnesheconombank; rather it acquired it in large part by taking over its debts.

Source: MTI-ECONEWS, bbjonline.hu - 5<sup>th</sup> March 2010

## IBA's Comment:

"Some of the cost-cutting measures being adopted by Malév, while cost effective, have been adopted by other airlines some time ago. Signs of recovery by the Hungarian airline should be accompanied by a re-focussing on some long-haul operations."  
- David Rushe

## 747-8 Freighter's first flight a new milestone

The Boeing Co.'s new 747-8 Freighter successfully took to the sky from Paine Field for the first time Feb. 8, marking a new milestone in the plane's journey from concept to competing in the global transport market.

More than 5,000 employees, customers, suppliers, community leaders and aviation fans waited nearly three hours for weather to clear for the flight of the world's most efficient freighter.

With 747 Chief Pilot Mark Feuerstein and Capt. Tom Imrich on the flight deck, the newest member of the 747 family flew more than three hours before landing at Paine Field at 4:18 p.m.

"It was a real privilege to be at the controls of this great airplane on its first flight, representing the thousands of folks who made today possible," said Feuerstein, in a Boeing Co. news release. "The airplane performed as expected and handled just like a 747-400."

The 747-8 cargo plane flew just 41 years after the initial flight of the original 747 in 1969.

Boeing's new Jumbo Jet model will provide air cargo operators the lowest operating costs and best economics of any freighter. The airplane is 250ft 2in long, 18ft 4 in longer than the 747-400 Freighter. The stretched model provides customers with 16 percent more revenue cargo volume compared with its predecessor. That translates to an additional four main-deck pallets and three lower-hold pallets.

"The 747-8 Freighter continues the leadership of the 747 Freighter families, which carries more than half of the world's air freight, making it the standard of the air cargo industry," said Mo Yahyavi, 747 program general manager and vice president, Boeing Commercial Airplanes.

The flight completed the first three hours of the 1,600 hours test program, flying over Western Washington to evaluate basic handling qualities and engine performance. The airplane reached a cruising altitude of 17,000 feet and a speed of about 264 miles per hour.

### IBA's Comment:

"The newest 747 freighter retains a key advantage over the stalled A380 Freighter in the ability to load bulk freight through the nose cargo door when necessary. IBA expects further orders for the 747-8F as the freight picks up again."

- David Rushe

Powered by four General Electric GEnx-2B engines, the 747-8 Freighter will transition its testing program to Moses Lake, WA, and Palmdale, CA, where the other two test airplanes will join it in the coming month.

"This truly is a great day for The Boeing Company and the 747 program," said Yahyavi. "It's the culmination of the hard work and dedication of our employees, suppliers and customers. While there is still much to do, I am excited to begin the flight-test program, which will demonstrate the capabilities of this airplane."

Boeing launched the airplane on Nov. 14, 2005, with firm orders for 18 747-8 Freighters: 10 from Cargolux of Luxembourg and eight from Nippon Cargo Airlines of Japan.

So far, Boeing has secured 108 orders for the 747-8, of which 76 are orders for the new freighter.

Cargolux, Nippon Cargo Airlines, AirBridgeCargo Airlines, Atlas Air, Cathay Pacific, Dubai Aerospace Enterprise, Emirates SkyCargo, Guggenheim and Korean Air all have ordered the 747-8 Freighter.

Source: John Wolcott, [snohomishcountybusinessjournal.com](http://snohomishcountybusinessjournal.com) - 1<sup>st</sup> March 2010

"So far, Boeing has secured 108 orders for the 747-8, of which 76 are orders for the new freighter."

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## IBA appointed as exclusive sales agent for former FlyGlobespan assets

The Joint Administrators of The Globespan Group plc have appointed the International Bureau of Aviation (IBA) as the exclusive sales agent for a range of aviation assets, formerly the property of FlyGlobespan. These include a B737-600 aircraft and an inventory of spare parts.

The Scottish low-cost operator FlyGlobespan went into administration late in 2009 and IBA is remarketing the former airline's remaining assets. These include one aircraft and an inventory of spare parts encompassing rotables, consumables, tooling, ground equipment and catering equipment.

The aircraft offered for sale is a 1999 vintage Boeing 737-683

series, currently on lease to Midwest Airlines. The aircraft is powered by two CFM56-7B20/2 engines and its APU is the Honeywell 3800702-1 model.

Owen Geach, IBA's Commercial Director, comments "We are very pleased to have secured this exclusive mandate with the Joint Administrators of The Globespan Group. These assets have already attracted considerable interest, so we expect them to sell quickly."

For more information on the assets offered for sale, or to discuss pricing, please contact Owen Geach on [owen.geach@ibagroup.com](mailto:owen.geach@ibagroup.com) or +44 (0) 1372 224488.



Source: IBA Group Ltd & Inter Relations & Company - 1<sup>st</sup> March 2010

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## IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, [www.ibagroup.com](http://www.ibagroup.com)

### Conference Dates

14<sup>th</sup> - 16<sup>th</sup> March 2010 - ISTAT 27<sup>th</sup> Annual Conference, Orlando - IBA will be attending - Phil Seymour will be speaking on the Appraisers' panel on the Monday 15<sup>th</sup>, 3:15 p.m. - 4:15 p.m. EDT.

23<sup>rd</sup> - 26<sup>th</sup> March 2010 - The 24<sup>th</sup> Annual Commercial Aviation Geneva Forum, Geneva - Owen Geach and Phil Seymour will be speaking and hosting several panels

8<sup>th</sup> April 2010 - Risk Management and Practical Solutions, Dublin - Phil Seymour will be attending and Owen Geach will be chairman and speaker - [register@aeropodium.com](mailto:register@aeropodium.com)

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

### IBA Aircraft for Sales

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

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

## Publications - 2010 Editions

Please contact [marketing@ibagroup.com](mailto: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

Most good results come from a foundation of robust planning.

The ISTAT conference is just over a week away and from what I see it should live up to expectations and meet or exceed the quality of previous events.

My own plans include flying to Orlando for the event using some BA air miles.

Good planning on my part or foolhardy given the threat of BA strike action?

See you there (or not)...

Phil

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## Highlights

- French labor strikes
- Another NE blizzard
- US dollar weaker
- Nuclear Iran

## Helpful Links

[www.wfscorp.com](http://www.wfscorp.com)  
**World Fuel Services corporate site - The Choice for Complete Fuel Management**

[www.eia.doe.gov](http://www.eia.doe.gov)  
**Official Energy Statistics from U.S. Government**

[www.nymex.com](http://www.nymex.com)  
**New York Mercantile Exchange-current market and historical values**

[www.ncdc.noaa.gov](http://www.ncdc.noaa.gov)  
**NOAA site for active weather updates and hurricane news**

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## Executive Summary

Oil prices moved mostly higher again this week as traders reflected upon striking Frenchmen, the fluctuating US dollar, continued snowy weather in the US northeast and the rising threat of a nuclear Iran. At time of this report, benchmark WTI crude oil is trading just under \$80/barrel.

## Fundamental Factors

- ▶ French refinery workers largely ended their strike this week; however, a separate trade union strike began, including sympathy actions from affiliated groups. The striking workers blocked access to many French plants, ports and facilities.
- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA), showed a larger-than-expected bump in crude stockpiles but slightly lower gasoline and distillate fuel inventories. US refinery use for the week rose 1.4% to 81.2% of operable capacity.

## Macroeconomic & Geopolitical Factors

- ▶ The US Commerce Department revised the fourth quarter GDP growth rate upward to +5.9% (from +5.7%) this week – the fastest pace in 6 years. Similarly, UK GDP growth in the fourth quarter was stronger than previously thought: revised to +.3%.
- ▶ Separately, EU efforts to bail out Greece continued. The US dollar fell versus the euro with €1 = \$1.3615 in early trading today.
- ▶ The White House concluded this week that Iran “has no interest in building international confidence that their nuclear program is for peaceful means.” The administration warned of “consequences” and that “time and patience is (*sic*) running out.” Iran responded by saying that it is considering building two more uranium enrichment facilities inside mountains to protect them from military air strikes.

## Weather Factors

- ▶ Another round of blizzard-like conditions (dubbed “snowicane” by some) pounded the Northeastern US, including the world’s largest home heating oil market. In a now-familiar forecast, the National Weather Service is predicting below-normal temperatures for the eastern US for the next 8-14 days.

