

In this Issue:

- Bankrupt Frontier seeking a leg up
- Cancellations outweigh orders
- Bombardier lands 30-jet contract with Lufthansa
- Boeing, Mexicana Group Agree to 25-Airplane 717 Leasing Deal
- Winglet-fitted 767 makes flight
- When it comes to aircraft, how many is too many?
- IBA Group News
- Weekly Oil Market Report

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Bankrupt Frontier seeking a leg up

This is a tough time to be looking for investors in an airline, but these days that's Sean Menke's job.

Menke is chief executive of Frontier Airlines, which has been reorganizing under bankruptcy protection since April 11.

For the past few weeks, Menke and Chief Financial Officer Ed Christie have been visiting dozens of potential investors, looking both for an extended bankruptcy loan and a financier to take them out of bankruptcy. They got the first but still need the second.

"We believe that if we can find the appropriate plan sponsor that this organization could be out mid- to late summer, and that's our focus right now," Menke said in an interview Thursday.

The new \$40 million debtor-in-possession loan from Republic Airways announced last week runs through Dec. 1, replacing a loan that would have been due April 1.

Frontier's unsecured creditors include Republic and act as a sort of de-facto board of directors in bankruptcy, and they support the new loan with the Dec. 1 deadline.

"It tells you that they're comfortable going out that far," Menke said. He called the Dec. 1 date "validation of the time that they're giving the organization."

Menke said some of the potential investors had little interest in financing Frontier's exit from bankruptcy, but others asked for more information and appeared to be giving it serious thought. He said he has meetings with more potential investors scheduled in coming weeks.

"We could continue to go for a while where we are, but we do need to find that plan sponsor. That is something this organization needs to do," he said.

Frontier's current bankruptcy court deadline to submit a reorganization plan is June 4; after that, creditors can step in and propose their own plan. That deadline has been extended before and could be again.

Frontier agreed to a \$150 million bankruptcy claim by Republic in exchange for the loan.

Bankruptcy claims often settle for a fraction of the face value.

Republic declined to say whether it is considering investing in Frontier to take it out of bankruptcy. Spokesman Carlo Bertolini said by e-mail that the debtor-in-possession loan to Frontier "is fully secured and will generate a solid return on our investment."

Frontier was pushed into bankruptcy protection after its credit card processor moved to start withholding significant proceeds from the sale of Frontier airline tickets, threatening a cash crunch.

"It's the worst thing that's ever happened to me," Menke said. "It's not something you aspire to do."

And while bigger airlines needed bankruptcy protection to wring deep pay cuts from unionized workers and reject airplane and airport leases that they thought were too expensive, Frontier has run a relatively lean operation all along.

It did shrink some over the summer, and sold four planes in the final quarter of 2008. It reported a \$5.6 million operating profit for the quarter that ended Dec. 31.

Source: Joshua Freed, .gazette.com - 13th March 2009

"Frontier has run a relatively lean operation all along"

Cancellations outweigh orders

European aircraft maker Airbus said on Thursday that cancellations on orders for planes had exceeded new orders since the beginning of the year, matching a similar trend at US rival Boeing.

Airbus said in a statement there had been six orders and 14 cancellations for the company between January 1 and February 28.

Data on Boeing's website showed that the US jetmaker had 22 orders and 32 cancellations between January 1 and March 10.

The announcement came as a source close to Airbus told AFP that the Dubai-based airline Emirates was seeking a delay in the delivery of several long-haul A380 superjumbo jets because of financing difficulties.

The airline is Airbus's biggest customer for the A380, having ordered 58 of them.

IBA's
Comment:
"Data at a recent conference suggested that up to 1,800 narrowbody aircraft orders may not be completed" - David Rushe

'Emirates could delay deliveries on several planes... They are in talks' with Airbus, the source said on condition of anonymity.

Emirates 'is beginning to have problems for the first time. We always relied on this type of company as a major stable client,' the source said.

A spokesman for Airbus said discussions with clients were confidential.

And in Dubai an Emirates spokesperson said: 'We had a routine meeting with Airbus to discuss aircraft delivery positions down the line. Like all airlines, Emirates continues to assess all options for its fleet and route operations.'

Source: AFP, straitstimes.com - 13th March 2009

Bombardier lands 30-jet contract with Lufthansa

Bombardier Inc. is set to go toe-to-toe with heavyweights Boeing Co. and Airbus SAS after it finally received its first firm order for its proposed 110- to 130-seat aircraft.

The Montreal-based maker of planes and trains said on Wednesday that Deutsche Lufthansa AG has signed a firm purchase order for 30 of its proposed C-Series jets in a deal valued at \$1.53 billion (U.S.) based on current list prices.

The C-Series will be larger than Bombardier's current regional jets, which top out at around 100 seats, and will compete directly with the smaller jets in Boeing's 737 family, as well as the Airbus A318 and A319.

Lufthansa, which agreed to become the launch customer for the C-Series in July, has options to purchase another 30 of the planes. They will be operated by the German carrier's Swiss International Air Lines Ltd. subsidiary.

While some analysts had raised concerns about C-Series viability earlier this year, Benjamin Boehm, vice-president of Bombardier's commercial aircraft division, said the company never harboured doubts about the program and further orders would be forthcoming.

"Our sales teams are out and about working with quite a few different airlines, and are in various stages of discussions,"

"the company never harboured doubts about the program"

Boehm said.

He also suggested that recent rumours about talks with Qatar Airways falling apart should not be construed as an indication the airline is not interested in the C-Series.

Investors also seemed to share Bombardier's enthusiasm, pushing up the stock 4.63 per cent, or 12 cents, to close at \$2.71 on the Toronto Stock Exchange on Wednesday.

The long-range C-Series aircraft are slated for delivery in 2013 and would target global airlines that want to buy 100- to 149-passenger aircraft, a market now dominated by the world's two biggest commercial aviation companies, Chicago-based Boeing and Europe's Airbus.

Boehm said he believes Bombardier could capture roughly half of that segment, or about 3,000 aircraft, over the next two decades.

Bombardier's pitch to airlines focuses on the aircraft's modern design and technologies, as well as fuel efficiency touted as being 20 per cent better than its competitors.

David Newman, an analyst at National Bank Financial, said in a note on Wednesday that Delta Air Lines Inc. and Northwest Airlines were candidates to buy C-Series jets before their merger plans were unveiled.

"We believe the combined airline could also benefit from the C-Series, current challenging conditions notwithstanding," he said.

Newman added that Alaska Airlines may also need a 100-seat plane in the near term, while additional orders could come from airlines in the Middle East and China.

Final assembly of the plane is to take place at Bombardier's facility at Mirabel Airport near Montreal. Wings will be built at the company's operations in Belfast, Ireland.

While Bombardier recently announced layoffs of 1,360 workers amid slower sales of business jets, Boehm said the company would need to add about 400 more engineering and development staff for the C-Series over the next four years.

Some 600 people currently work on the C-Series project. At peak production, there would be about 3,200 workers on the C-Series assembly lines, Boehm said.

Source: Chris Sorensen, thestar.com - 12th March 2009

"Bombardier could capture roughly half of that segment, or about 3,000 aircraft, over the next two decades."

Boeing, Mexicana Group Agree to 25-Airplane 717 Leasing Deal

Boeing [NYSE: BA] and Mexicana Group on March 9 announced a lease agreement for 25 Boeing 717-200 airplanes to be used by Mexicana's Click operation.

Under a multi-year arrangement, MexicanaClick will begin receiving the 717s from Boeing Capital Corporation in March, making Mexicana the first North American 717 operator outside the U.S. Boeing Capital is the world's largest lease provider of the modern, fuel-efficient twin jet.

In addition to the airplanes, Boeing through its Commercial Aviation Services group will provide training for flight crew, cabin crew and maintenance staff as well as spare parts provisioning. In total this approach represents a comprehensive Boeing solution to Mexicana Group's fleet renewal needs.

"With these 25 airplanes, we give a strong boost to MexicanaClick and a better way to improve the passengers' experience and the airline's operating efficiency to maintain its leadership both in quality of equipment as well as on-board services," said Manuel Borja, Mexicana Group director general.

The Boeing 717 has distinguished itself in service to nine airlines on four continents. Designed for quick turnaround, high-frequency and short-range markets (up to 1,500 nautical miles), the 717 offers big-jet passenger comfort with the lowest noise and emissions in its class. The Rolls Royce-powered 717s will replace Fokker F-100s operated by the airline.

"At a time when economic conditions pose challenges to airline operators and travellers, the 717 offers a wealth of value: greater fuel efficiency, lower maintenance costs, a modern flight deck and spacious interior," said Tim Myers, Boeing Capital Corp. vice president for structured financing. "We're pleased to join forces with Mexicana to bring the 717 to the region."

Click's 717 fleet will be configured to carry 104 passengers with 20 in Mexicana Elite class, with two-by-two seating, allowing all passengers to enjoy either aisle or window seats, and 84 in tourist class where the five-abreast, wide leather seats will appeal to travellers.

Boeing and Mexicana have worked together for decades. The

"The Boeing 717 has distinguished itself in service to nine airlines on four continents."

airline was among the world's largest operators of the Boeing 727 and its current long-haul routes depend on the Boeing 767.

"We congratulate MexicanaClick on joining the ranks of airlines that depend on the 717's high dispatch reliability and low maintenance costs to compete successfully," said Ihssane Mounir, vice president for Latin American sales, Boeing Commercial Airplanes. "Add to that a quiet and fuel-efficient airplane, with great comfort and passenger appeal and an average fleet age of less than five years, and the result is a great platform to grow Click's market success."

Source: finchannel.com - 10th March 2009

Winglet-fitted 767 makes flight

American Airlines Flight No. 78 landed at London Heathrow Airport at 10:26 a.m. Monday, the first of the carrier's 58 Boeing 767-300 aircraft that will be retrofitted with fuel-saving winglets over the next two years.

The 767-300 winglet installation work will be performed in cooperation with Seattle-based Aviation Partners Boeing at American's Maintenance & Engineering Center in Tulsa and at its Kansas City maintenance base, which have shared American's previous winglet work, officials said.

With 204 passengers aboard, Flight No. 78 departed Dallas-Fort Worth International Airport at 8:35 p.m. Sunday and arrived in London ahead of schedule and at a considerable cost savings, airline executives said.

"The fuel savings and emissions reductions that we will achieve are one more step in our efforts to both moderate costs and shrink the impact we have on our environment — two goals that go hand-in-hand," said Bob Reding, American's executive vice president of operations. "We are pleased that APB chose to partner with American to develop and install these blended winglets, and we are especially happy that we also operated the first flight with customers onboard a winglet-equipped 767-300ER (extended range)."

In the last few years, American aircraft mechanics at the Tulsa M&E Center installed winglets on 77 Boeing 737-800s and shared the retrofit work with Kansas City mechanics on 124 Boeing 757-200s.

IBA's
Comment:
"Despite the significant drop in fuel prices over the last year, Boeing aircraft operators are still keen to see the cost benefits from winglets on 737s, 757s and now 767s" - David Rushe

APB began the flight test certification program on the 767-300 winglets in February 2008 with a leased American Airlines 767-300. The two companies jointly began the winglet development program early in 2007.

"Our mechanics and engineers are highly experienced, and we have outstanding facilities and the resources necessary to excel at this kind of complex structural installation," said Carmine Romano, American's senior vice president of maintenance and engineering. "The efficiency that allows us to do this kind of work in house also allows us to provide the same service to our customers, and they simply can't get that anywhere else."

The winglets, an 11-foot high, 90-degree upward curve of the wing tips, enhance the lift of the wing without an increase in engine power, and they increase fuel efficiency. Each aircraft equipped with the winglets is expected to save up to 500,000 gallons of fuel annually, executives at the Seattle company said.

Retrofitting American's fleet of 58 767-300s is expected to provide savings of up to 29 million gallons of fuel per year as well as a reduction of up to 277,000 metric tons of carbon dioxide emissions annually, Aviation Partners Boeing officials said.

The winglets also could extend the 767-300's range by 414 miles and increase its payload as much as 12,000 pounds, they said.

The 767-300 winglet work is particularly important because of the nearly two-year delay in delivery of Boeing's new 787 Dreamliner, the lightweight composite twinjet expected to replace the 767 at a 20 percent fuel savings.

"The 767-300ER blended winglets have been the most complicated product development program in the history of Aviation Partners Boeing," said John Reimers, president and CEO of APB. "We owe a huge debt of gratitude to our launch partner, American Airlines, and our other pre-certification customers for their continued faith in APB and blended winglet technology and their patience and support through a challenging certification process.

"These winglets represent the largest piece of structure ever retrofitted to a commercial aircraft wing and will dramatically change forever both the appearance and performance of the 767-300ER."

"The 767-300ER blended winglets have been the most complicated product development program in the history of Aviation Partners Boeing" - John Reimers

When it comes to aircraft, how many is too many?

Over-capacity of aircraft, order deferrals and hand-backs are going to become more common place as 2009 plays out. What can airlines do if they have too many aircraft on order or in their existing fleet? This is a key issue that Owen Geach, Commercial Director at leading aviation consultancy IBA, will be considering at the 4th Annual India and South Asia Airfinance Conference this week.

The event takes place on the 12th and 13th March at the Lalit New Delhi, India. Owen Geach will speak on the second day of the event, taking part in an expert panel considering what airlines can do when they have excess capacity. Owen comments "This is a highly topical issue at the moment with some airlines already in difficult situations and others planning for the possibility of having to deal with this issue in the future. These are extraordinary times and airlines must be prepared for what lies ahead if they hope to ride out the current storm." With attendance forecast to exceed 120 delegates from all over the world, it is clear that the industry has a vested interest in this matter.

We invite you to contact Owen if you would like to discuss his views on airline over-capacity, arrange an interview with him, or gain topical industry comment and expert opinion on the global aviation industry. Please contact Owen Geach on owen.geach@ibagroup.com or Jennie Tewson on +44 (0) 1403 218588 or jennie@inter-relations.co.uk.

Source: IBA Group & Inter Relations & Company - 12th March 2009

"This is a highly topical issue at the moment with some airlines already in difficult situations and others planning for the possibility of having to deal with this issue in the future" - Owen Geach



IBA Group News

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

Conference Dates

12th - 13th March 2009 - 4th Annual India & South Asia Airfinance Conference, New Delhi - Owen Geach will be speaking on solutions for overcapacity among the Indian airlines

15th - 17th March 2009 - ISTAT 26th Annual Conference, Arizona - IBA will be attending, Phil Seymour will be on the appraisers' panel

1st - 2nd April 2009 - 7th Annual Cargo Aircraft & Operations Conference, Brussels - Jonathan McDonald will be speaking on cargo aircraft versus P2F conversions.

Airfinance Journal and *Euromoney Seminars* present the 3rd Annual AirLaw Conference, 18th & 19th May 2009, Hyatt Regency - The Churchill, London.

As the aviation market is changing faster than ever before, making the correct legal decision and being aware of upcoming regulatory changes can be the difference between success and failure.

This timely conference will bring in-house legal counsels representing airlines, manufacturers, lessors, ECAs, insurers and financiers together with lawyers and regulators to discuss the key issues affecting the aviation industry in today's rapidly evolving market.

To register, please email your details to Karina Katysheva at kkatysheva@euromoneyplc.com

Phil Seymour's Notes on the Week

It appears I caused confusion last week regarding my notes on airport security and the clear plastic bag saga for toiletries. Some of the more observant of you challenged the need for me to take shampoo. Well just to clarify that indeed it is not for my head but for my chest and back!

With that in mind I am off to Arizona for the ISTAT conference so this week it is sun tan lotion in the clear plastic bag!

Yours Sincerely,

Phil Seymour, Managing Director, IBA - phil.seymour@ibagroup.com

Publications - 2009 Editions

Please note that the February 2009 Issues of the AVB & LRD have been published, please contact ross.elliott@ibagroup.com for more information.

Aircraft Values Book	Published in February & August 2009	£650 per year
Lease Rate Digest	Published in February & August 2009	£375 per year
Engine Values Book	Published in February 2009	£650 per year
Maintenance Cost Journal	Published Quarterly	£175 per year

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

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

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Highlights

- US unemployment rises to 8.1%
- Dow falls
- Mixed inventory report
- Iran back in the news

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 continue to be volatile but locked in a sideways, range-bound pattern as traders try to analyze the steady stream of economic, fundamental and geopolitical information. Of primary concern of course, is the worsening global economy and its impact on petroleum demand. This week, oil prices generally followed equity prices lower but the market is monitoring developments related to OPEC, Iran and weekly inventory trends.

Macroeconomic and Fundamental Factors

- The US unemployment rate rose by .5% to 8.1% in February according to the latest government report reflecting broad job losses across nearly all sectors. US job losses are estimated at 4.4 million jobs since December 2007. The Dow Jones Industrial Average fell below 6,600 yesterday – the lowest level since December 1996.
- The European Central Bank and the Bank of England cut their key interest rates by .5% this week in an attempt to encourage lending. The ECB predicts that the eurozone economy will contract by 2.7% in 2009. The volatile US dollar fell against the euro today at €1 = \$1.2705.
- The weekly inventory report from the EIA showed a small draw in crude oil inventories, virtually flat gasoline stocks but a modest build in distillate fuel inventories. US refinery utilization rose 1.8% to 83.1% of operable capacity.
- Iran's oil minister estimated OPEC compliance with outputs cuts at 80% and said that the cartel has room to cut another 600,000 barrels per day. OPEC will meet again on March 15.
- Despite western protests and sanctions, and in collaboration with Russia, Iran said that it has begun a test-run of its first nuclear power plant. Israel called the tests "very bad news".
- The International Energy Agency warned that a lack of investment by OPEC will lead to supply constraints and higher prices in next few years. The warning prompted a rebuke from OPEC – basically saying that low prices and investment cannot coexist.

Weather

- The National Weather Service is predicting normal temperatures for the northeastern portion of the US, including the main home heating oil market, for the next 6-10 days.

**NYMEX Crude Oil Futures
(Front Month)**

