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Boeing commercial plane orders plunge in March

Boeing Co. reported sharply lower monthly orders for jetliners on Thursday, as the ailing economy forced airlines to reduce flights and cancel orders.

The Chicago-based aerospace giant received orders for just six passenger and freight jets in March, down from 99 during the same month last year, according to figures posted on Boeing's Web site and a company spokesman.

Boeing has been hit by dramatically lower orders for commercial planes this year as the global economic slowdown intensifies and air travel wanes. Airlines have cut flights and some carriers have delayed orders and deliveries of new jets. The credit crisis has made it more difficult for potential buyers to get loans for new planes.

In the first three months of the year, Boeing received orders for 28 planes. Customers cancelled or changed 32 orders during that period, resulting in a loss of four orders. The cancelled orders were for the long-delayed 787, a next-generation aircraft built with lightweight composite parts and designed for fuel efficiency.

Airlines are reporting weak traffic so far this year, and they do not have much appetite for new jet orders. Instead, they are grounding planes, including some relatively newer models, as they cut capacity.

Boeing's orders plunged in 2008 following three years of exceptionally strong bookings, and orders for the first two months of 2009 fell 88 percent year-over-year. In January, Boeing announced plans to cut 10,000 jobs after reporting a surprise fourth-quarter loss.

The International Air Transport Association, a Geneva-based airline industry group, has said world airlines are expected to lose \$4.7 billion this year due to the economic crisis.

Boeing also said it delivered 121 commercial aircraft in the first three months of 2009, up 5 percent from the first quarter of last year. Fifty of those deliveries occurred in March.

The company expects to fulfil deliveries scheduled this year, and if necessary would provide about \$1 billion in financing to customers.

Shares of Boeing rose \$1.76, or nearly 5 percent, to \$37.20 in late afternoon trade Thursday.

Source: Daniel Lovering, AP, bnd.com - 3rd April 2009

Air India to go ahead with new projects

Despite recession, Air India is all set to go ahead with its new projects. The company plans to induct 75 new Boeing and Airbus aircraft to its fleet by March 2010, thus bringing down the average age of the fleet to about 18 months. On the domestic sectors, Airbus A321 and A319 will replace the A320s that are currently deployed.

Air India has restructured its operations to the US and Europe, with Frankfurt as its operational hub. From now, Chicago and Newark will offer more convenient connections with Mumbai-Chicago flights now set to operate from Delhi. Passengers who wish to travel from Delhi to Newark will be transferred to the Mumbai- Newark flight to Frankfurt.

Likewise, passengers from Mumbai who wish to proceed to Chicago will be transferred to the Delhi-Chicago flight at Frankfurt. The connections at Frankfurt will be operated with 342-seater B777-300ER aircraft configured in three classes.

Air India will also introduce nonstop Delhi-San Francisco flights later this year, which will make it the longest flight operated from India. It will also earn the distinction of being the largest operator of nonstop services between India and US, with three flights a day in each direction.

Air India is also working towards joining Star Alliance, the consortium of 21 carriers from across the globe. Star Alliance, which offers 16,500 daily departures to 912 destinations in 158 countries, is expected to give Air India extended global reach and directly benefit passengers.

Source: expressbuzz.com - 3rd April 2009

“The company plans to induct 75 new Boeing and Airbus aircraft to its fleet by March 2010”

Qantas raises stake in Jetstar, Valuair

Qantas has teamed up with its Singapore partner to increase its stake in regional carriers Jetstar Asia and Valuair.

Qantas and Westbrook Investments plan to acquire all of the shares in Orangestar Investment Holdings, the holding company overseeing Jetstar Asia and Valuair, through a new company Newstar Investment Holdings.

The change will provide a platform to expand Qantas' wholly owned Jetstar brand and business model across Asia, as more markets open up to Jetstar Asia and Valuair.

Westbrook will own 51 per cent of the Newstar with Qantas holding the remaining 49 per cent.

Qantas had a 45.04 per cent interest in Orangestar.

The change in shareholder structure will see Jetstar Asia and Valuair more closely aligned with Jetstar's Australian operations.

"The new structure for Jetstar Asia and Valuair will provide a platform for growth and strengthen existing Qantas group services in Singapore," Qantas chief executive Alan Joyce said in a statement on Wednesday.

"A unified and simpler shareholder structure and vision for Jetstar Asia and Valuair provides certainty for these airlines and greater commercial and operational alignment, achieving new synergies across the airlines."

The airlines will continue to operate the same network and there will be no impact on existing employees' numbers, customers, flight bookings or supplier relationships.

Westbrook is wholly owned by Mr Choo Teck Wong, a Singapore national and Qantas group partner for more than two decades. Mr Choo will become chairman of Newstar.

Jetstar chief executive Bruce Buchanan and Orangestar director Paul Edwards will serve on the Newstar board.

Ms Chong Phit-Lian will remain as chief executive of both Jetstar Asia and Valuair.

Mr Buchanan said the coordination of Jetstar Asia, Valuair and Jetstar operations would provide better opportunities for customers.

Product offerings will be aligned, while the highly efficient Jetstar business model is applied across each business.

IBA's

Comment:

"The decision by Qantas mirrors IBA's opinion that many airlines will opt to consolidate services with other carriers in the midst of the downturn"

- David Rushe

Singapore nationals will hold the majority of board director positions in Newstar and its airline operations will continue to enjoy Singapore traffic rights.

Source: AAP, news.com.au - 2nd April 2009

Boeing, Airbus: downturn won't slow biofuel plans

The world's two biggest aircraft makers said Tuesday they were pushing ahead with the development of planes that run on eco-friendly biofuels despite the economic downturn.

Boeing Co. and Airbus say they are not planning on making their own alternative fuels, but are working with ethanol and other biofuel producers to make planes ready for the new technologies in the coming decades.

The sharp drop in oil prices since the start of the global recession has raised concern that the development of fuel-efficient jets may stall. The airline industry is also being squeezed by plummeting passenger numbers.

"The economic downturn doesn't lead to any change in our product strategy," said Christian Dumas, vice president for sustainable development at the Toulouse, France-based Airbus.

He said the airline industry has to think long-term because an aircraft's life span is typically 30 to 35 years

"We are not going to diminish our efforts in research and development," Dumas told The Associated Press in Geneva, where he was taking part in a meeting on aviation and climate change.

Boeing has already made several successful test flights using plant-based oils that Bill Glover, the Chicago-based planemaker's environment chief, says are as good as or better than normal jet fuel.

Even if oil has fallen to \$50 a barrel from over \$100 a year ago, fuel remains the biggest cost for airlines and it makes sense to continue investing for the future, he said.

"The price won't stay there," Glover told The AP. "If airlines can make improvements then when the price goes up, they're not hit as hard."

Airlines do not have much leverage to negotiate prices with

IBA's

Comment:

"Some analysts have predicted that oil prices may rise to and hold at \$100 a barrel in the next 18 months and it would be a wise move for airlines and engine manufacturers to invest in R&D of alternative fuels sooner rather than later"

- David Rushe

major petroleum companies. The biofuels industry is much smaller and could provide airlines with an opportunity for tailored rates as they play a bigger part in determining demand, Glover said.

Boeing expects biofuels to be certified for regular use in three to five years, Glover said. He predicted that most airlines would use it in some planes by 2015.

Dumas of Airbus was more cautious. It will take until 2025 before biofuel accounts for even a quarter of the fuel airlines use, he said, adding that much depends on how quickly producers can generate enough fuel.

"My advice to the biofuel business community is: 'Please guys, standardize,'" Dumas said.

Governments can help speed up development by giving more financial support to promising technologies, he said.

The plane makers do not see investment in biofuel production as their role.

"It's not currently part of our plan," Dumas said.

"It would be better for us to work as a facilitator and help a lot of people get success," Glover said.

Source: Frank Jordans, AP, wvgazette.com - 1st April 2009

"Boeing expects biofuels to be certified for regular use in three to five years"

Bombardier lands \$1.4B contract for aircraft

Canadian aircraft manufacturer Bombardier Inc. hopes an order for 20 CSeries aircraft from an Irish leasing company worth up to US\$1.44 billion will open the door to future deals with major airlines.

Bombardier said the firm order from Lease Corporation International Aviation Ltd. - which leases aircraft to major airlines including Singapore Airlines, British Airways, Air France, SAS and Virgin Atlantic - comes with options for a further 20 jets.

Privately owned Lease Corporation International (LCI) has asked for three CS100 and 17 CS300 jetliners in the initial order. The deal follows an order in March from Deutsche Lufthansa AG for 30 of the CSeries jets worth an estimated \$1.53 billion at list prices.

Attracting an order from a leasing company demonstrates the

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airplane's flexibility for use by short-haul, long-haul, low-fare or mainline carriers, Benjamin Boehm, vice-president of Bombardier Commercial Aircraft, said in an interview.

"It clearly allows us to point out to the market that this is not just a regional jet."

Boehm said the CSeries was purposely designed to be more attractive to leasing companies.

Leased planes typically account for half of an airline's fleet. Cash-strapped airlines looking to renew their fleets can get a feel for the new 100-to 149-seat airplane until they are in a position to make a purchase.

"They can lease a few of them to start and then grow and expand and buy from us later on," he added.

The leasing company's order is the first for the larger CSeries model. Almost identical to the 100-seat version, it requires a little more runway for takeoff.

The first CSeries aircraft are to be delivered in the second half of 2013. They will use Pratt & Whitney's new PurePower geared turbofan engine that promises to use less fuel and generate reduced noise and emissions.

"We are excited about the future of Bombardier's CSeries jetliner family," said LCI chairman Adam Tomazos.

"Market studies carried out by ourselves and other organizations see a large worldwide demand for aircraft in the 100-to 149-seat category over the next two decades and the CSeries jetliner family is a perfect fit."

Established in 2004, LCI has grown its aircraft portfolio to more than \$3.5 billion.

Boehm said Lufthansa's endorsement has created more buzz in the market, especially among smaller carriers that do not have the German carrier's design expertise.

Boehm said he expects there will be another order some time this year.

Source: thewhig.com - 31st March 2009

IBA's

Comment:

"The order for the CSeries will be good news for Pratt & Whitney and Bombardier, particularly as both companies announced widespread job cuts this week"
- David Rushe



IBA Group News

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

Conference Dates

16th - 17th April - Export-Import Bank Annual Conference, Washington, D.C. - Owen Geach will be attending
20th - 21st April - 29th Annual New York Airfinance Conference, New York- Owen Geach will be attending
13th - 14th May - 14th Annual Aero-Engine Leasing, Trading & Finance Conference, Dublin - David Rushe will be speaking

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

Dan Whiffen Joins IBA Group

IBA is pleased to announce another addition to its Asset Management and Technical team. Dan Whiffen joins IBA as Technical Manager. Dan benefits from 20 years of experience in the aviation industry, with an emphasis on corporate and business jets. CAA and FAA licensed, he has worked in spares/maintenance planning and running maintenance inputs, as well as on projects pertaining to part M subpart G and ARC extensions. Dan can be contacted at dan.whiffen@ibagroup.com

Phil Seymour's Notes on the Week

A busy week that included the ERA conference in Warsaw. The same story - lower revenues, higher costs, lack of financing. I find that airlines are looking for complex solutions however I suspect that there are more simple ones and I was trying to spread some good news for the operators. We are seeing an increasing number of them failing to manage the potential cash income from claims. Several airlines have new(ish) aircraft but haven't claimed any warranty payments or credits from the manufacturers. Also several airlines have been late in claiming or have not even applied for maintenance reserves payment. So that's pretty serious stuff to consider on a Friday - Lessors and manufacturers may not thank me but I hope operators do.

I am off to St Andrews, the home of golf, to represent my club, Blackmoor, with my golfing buddy in the St Andrews foursomes.

Have a good Easter break,

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

Publications - 2009 Editions

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 April 2009	£650 per year
Maintenance Cost Journal	Published Quarterly	£175 per year

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Highlights

- Equities rise on toxic asset plan
- Oil inventories shrink
- Strong gasoline market

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 moved mostly higher this week in volatile trading as equities rose, product inventories shrank and the economic mood brightened a tad. At time of this report, benchmark NYMEX WTI is trading at \$51.88/bbl – down from its weekly high of near \$55.

Macroeconomic and Fundamental Factors

- This week, the US Treasury department announced a new plan to use up to \$100 billion from the TARP program to buy troubled assets from embattled banks.
- The sale of US existing homes rose an unexpected 5.1% in February – much higher than the expected decline of 1%. The news, along with the Treasury's toxic asset plan sent equity prices sharply higher and put upward pressure on oil prices as well.
- The weekly inventory report from the EIA showed declining inventory levels across all major categories of crude oil, gasoline and distillate fuels. US refinery utilization fell .1% to 82.0% of operable capacity.
- Full landside tanks, ample availability of cheap tankers and a contango market structure has created a flotilla of jet fuel storage vessels floating around NW Europe. This floating storage is estimated at as much as 500,000 metric tonnes (165.5 million gallons).
- Weekly oil demand data from the Department of Energy shows that total US petroleum demand is down 3.23% from year-ago levels. Jet fuel demand is down 6.45% while gasoline demand is actually up 1% from last year.
- US gasoline demand, as measured on a 4-week rolling average, is at a 6 month high and climbing. The AAA Daily Fuel Gauge Report writes that the national average retail price of regular gasoline has once again topped \$2/gallon – the first time since November 2008.

Weather

- For what its worth...Accuweather.com's chief hurricane forecaster is predicting a slightly less active US hurricane season this year with 13 named storms and 2 major hurricanes. Three hurricanes are expected to impact the US (compared to 4 last year).
- Seasonal temperatures are expected for most of the US for the next 6-10 days.

