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## Boeing says credit is available to buy planes

Despite an ongoing global credit crunch, Boeing Co. should not have to finance more airplane purchases for customers this year as other funding is available on the market, the company's chief financial officer said Thursday.

Chicago-based Boeing has faced sharply lower demand as the deteriorating world economy forces airlines to postpone or cancel plans to buy new planes. Boeing has said it expects to provide about \$1 billion in financing to buyers of its passenger and cargo jets this year and perhaps more in early 2010.

The finance arm of the world's second-largest airplane maker is "not a profit center that we're trying to go out and grow," James Bell, Boeing's chief financial officer, said at an annual investor conference in Chantilly, Va.

"We've gone through that before and we made a deliberate decision to move away from it," he said.

Boeing has been financing new airplanes "prudently" this year, and its finance operation has been doing "a great job connecting financiers with our commercial customers," Bell said, without elaborating.

"We think there are adequate resources out there to finance airplanes," he said. "We find that there's funding for airplanes for 2009, and we're getting a little more comfortable with the front end of 2010, so I'm saying there is not the need for us to provide more funding."

Boeing has not set a target for the amount it would finance next year, Bell said.

Although many international airlines and leasing companies have credit agreements with banks that predate the current credit freeze, others may have had trouble getting financing for aircraft purchases, with lenders more cautious as the global economy has sagged.

Despite weaker demand, Boeing maintains a record backlog of orders for its commercial aircraft, which include 737s, 747s, 767s, 777s and its forthcoming 787, a long-delayed plane built for fuel efficiency with carbon composite parts.

Source: Daniel Lovering, AP, [kansas.com](http://kansas.com) - 22<sup>nd</sup> May 2009

## British Airways announces record losses

British Airways has announced record annual losses of £401 million.

The airline blamed a weak pound and high fuel costs for its biggest loss since being privatised in 1987.

The announcement comes after record profits last year, when British Airways confirmed it had made £922 million.

On top of freezing pay and cutting more than 2,500 jobs since last summer, the airline is also now offering staff unpaid leave and the option of working part-time.

BA's chief executive Willie Walsh said in a statement: "The prolonged nature of the global downturn makes this the harshest trading environment we have ever faced and, with no immediate improvement visible, market conditions remain challenging."

Revenues in the fourth quarter for the airline were down by 8.4 per cent alone.

The sharp rise in fuel prices as oil prices soared last year also contributed to the airline's losses.

Martin Broughton, chairman of BA, added: "In the last twelve months we have gone from a record profit to a record loss due to the current tough economic environment.

"That only serves to underline the extremely difficult trading conditions that we are facing, despite our best ever operational performance, and any recovery is likely to take longer than initially envisaged."

Source: InTheNews.co.uk - 22<sup>nd</sup> May 2009

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### IBA's

### Comment:

"After a quite turbulent 2008 with much negative publicity, BA still posted a record profit which makes this year's loss all the more alarming. It will be interesting to see how BA trims operating costs"

- David Rushe

## Passengers stranded as Ozjet halts flights

Passengers bound for Bali were stranded at Perth Airport after Ozjet Airlines suspended all flights after allegedly becoming a credit risk.

The airline blamed the decision on problems with the Civil Aviation Safety Authority and Indojet.

Perth Airport confirmed it had refused to continue handling the airline because it had become a credit risk, reports The Australian.

Ozjet had three older Boeing 737-200s in Perth performing ad hoc charters as well as flying a scheduled service to Derby and operating flights to Bali on behalf of travel company Indojet Asia.

An Indojet customer service representative said the travel company had been given very short notice of the decision and was trying to accommodate customers.

Airport chief executive Brad Geatches said Ozjet had arrears amounting to hundreds of thousands of dollars and extending back to last year.

"They've broken dozens of promises to address their arrears and that culminated this week with the parent company, Heavylift, advising us that they no longer support Ozjet," he said.

"So it became a case of them becoming a very significant continuing credit risk."

Mr Geatches said Heavylift had approached the airport via its lawyers to take the aircraft from Perth. Ozjet issued a short statement saying the primary reason for its decision was because CASA would not allow it to add cargo aircraft to its air operator's certificate.

"Money owed by Indojet had further exacerbated the situation," it said. "The resultant lack of revenue has resulted in a significant impact on the airline's overall business plan."

Ozjet gave no details about what would happen to its Perth-based staff, but said it had now sub-contracted Queensland-based Alliance Airlines to operate its Perth-Derby route.

Source: Steve Creedy, news.com.au - 21<sup>st</sup> May 2009

"Ozjet had arrears amounting to hundreds of thousands of dollars and extending back to last year."

## Lufthansa warns BMI on need for more cash

German flag carrier Lufthansa could drop plans to take over British airline BMI unless BMI's main shareholder puts more cash into the struggling company, the Financial Times reported Wednesday.

Lufthansa, which already holds 30 percent of BMI and is planning to increase that to 80 percent, believes BMI chairman and controlling shareholder Sir Michael Bishop should provide fresh capital under previously agreed terms, it said.

"We do not intend to walk away from the deal," Stephan Gemkow, Lufthansa's chief financial officer, told the newspaper.

"What we want to have is the company in its contractually agreed state and that means the company has the licences it needs to operate and the funds it needs to operate. This is contractually agreed," Gemkow said.

"We have a situation in which, to our understanding, the conditions have not been met [...] If they are not met, one day we will walk away," he warned.

"If nothing is being done, BMI faces a difficult time. That is clear."

The newspaper noted that last week a spokesman for Bishop had said the contractual conditions had already been satisfied after approval of the deal by the European competition authorities.

Bishop controls 50 percent plus one share in BMI and exercised an option in October to force Lufthansa to take over his holding. SAS Scandinavian Airlines holds the remaining 20 percent.

The FT said Lufthansa is being forced to take over the stake for about 400 million euros (540 million dollars) under the terms of the original contract even though BMI is now in a much weakened state after record losses last year of some 114 million euros.

Last week, EU antitrust regulators approved the Lufthansa takeover which would make it the second biggest airline at London's Heathrow airport, Europe's busiest hub.

Source: macaudailytimesnews.com - 21<sup>st</sup> May 2009

### IBA's

#### Comment:

"BMI, with its valuable Heathrow slot ownership, must still appear to be an attractive proposition for Lufthansa, despite its lack of cash"  
- David Rushe

## Airlines merge route pacts

Delta Air Lines and the Air France KLM group announced an expanded joint venture Wednesday that will pool \$12 billion in annual revenue on routes across the Atlantic.

The deal combines joint ventures between Northwest Airlines and KLM from 1997 and between Delta and Air France in 2007. Air France merged with Dutch carrier KLM in 2004, while Delta closed its deal to acquire Northwest last year.

The U.S. Department of Transportation in May 2008 approved antitrust immunity for a deal involving Delta, Northwest and SkyTeam partners Air France, Alitalia, CSA Czech Airlines and KLM, allowing them to consolidate their joint ventures.

Delta and Air France-KLM will share revenue and costs on their trans-Atlantic route network. They also will cooperate on routes between North America and Africa, the Middle East and India, and flights between Europe and certain countries in Latin America.

The airlines said it will mean more choices and flights on trans-Atlantic flights they operate. They did not announce specific new routes.

"The joint venture will continue to strengthen Delta's presence in Atlanta by contributing to the success of new and existing international routes," said Delta spokesman Kent Landers.

Routes made possible through Delta's existing joint venture with Air France include Pittsburgh-Paris, launching June 3. "We're sharing the risk and reward of each of these routes across the Atlantic, and that helps strengthen their performance" and could create opportunities for new routes, Landers said.

Source: Kelly Yamanouchi, ajc.com - 21<sup>st</sup> May 2009

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### IBA's

#### Comment:

"The new joint ventures will allow for flexibility for the participant airlines on the transatlantic market, which has been suffering in the present downturn"

- David Rushe

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## Southwest sells, leases back aircraft

Southwest Airlines Co. has completed the sale of three Boeing 737-700 aircraft with a third-party aircraft lessor who will lease the planes back to the airline for \$104 million.

This is the second part of a two-part sell-back initiative that the airline has engaged in, Southwest indicated in a filing with the Securities and Exchange Commission. It will make monthly \$4.4 million payments for the first six months, Southwest said in its filing. Payments will reset every six months.

The airline previously sold and leased back three other aircraft, bringing the total sale-leaseback initiative to a point where six airplanes were sold to another party.

As part of the agreements, Southwest will continue to maintain and operate the airplanes.

Source: portfolio.com- 21<sup>st</sup> May 2009

“It will make  
monthly \$4.4  
million  
payments for  
the first six  
months”



## IBA Group News

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

### IBA Aircraft for Sales

2008 AgustaWestland AW139 Helicopter - MSN: 31121, Total Time: 916, Cycles: 780

2008 AgustaWestland AW139 Helicopter - MSN: 31142, Total Time: 419, Cycles: 223

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

Please contact Mark Wooller for further details at [mark.wooller@ibagroup.com](mailto:mark.wooller@ibagroup.com) or call: +44 (0)1293 772743

### Chris Lock Joins IBA Group

IBA is pleased to announce another addition to its Asset Management and Technical Team. Chris Lock joins IBA as Technical Manager. Chris has 30 years experience in the aviation industry and has an EASA Part 66 Licence. He started his career as an apprentice with British Caledonian Airways. He subsequently joined British Airways in the capacity of aircraft maintenance engineer covering base, casualty and line maintenance of varied aircraft and engine types, from Bac 1-11 and Boeing 737 classic up to the present day Boeing 747 and 777 aircraft. He later joined Virgin Atlantic Airways where he gained experience on the Airbus A340-300/-600 aircraft. In his latest appointment, Chris worked for Storm Aviation Ltd as a Quality Assurance Engineer and department signatory, where he successfully gained his qualification as an Internal Auditor for airline industry, approved by International Register of Certified Auditors. His role involved liaising with national authorities on regulatory and compliance issues, managing the company internal audit schedule and conducting internal audits, the issuing of engineering approvals and investigation of occurrence reports. Chris can be contacted at [chris.lock@ibagroup.com](mailto:chris.lock@ibagroup.com)

## Phil Seymour's Notes on the Week

This morning BA announced losses of UK£401m compared to the profit of UK£922m in the previous year.

Willy Walsh was candid and does not see any green shoots of recovery; however, he believes that BA figures are better than the overall reductions in financial performance seen by other IATA airlines. The weak economy and increased costs (not just fuel) are not about to turn round. I can't help looking at the typical lease rates as well and how BA and other UK airlines will be suffering from the weaker sterling. If we assume a typical lease rate of 280,000USD per month for an average age A320 then since last July, when this translated into £140,000 per month, this is now close to £180,000 per month. An increased finance/lease cost of £40,000 per month for just one typical narrow body shows just how tough the times are. Other dollar based costs such as fuel create the same effect for the companies and consumers.

Other depressing news is that I need to be in Rome at the time of the Champions' League final and my team will not be there. I really don't want to go to the Final - I fear it may be similar to going to the wedding of an ex-wife who I am still in love with (I haven't experienced that but heard the line elsewhere and wanted to fit it in somewhere this week).

Phil Seymour, [phil.seymour@ibagroup.com](mailto:phil.seymour@ibagroup.com)

## Publications - 2009 Editions

Please contact [ross.elliott@ibagroup.com](mailto: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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**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

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## Highlights

- WTI breaches \$62
- Shrinking crude and gasoline supplies
- US dollar lower
- Refinery fires

## 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

## Contact Us

Jonathan Leak  
JLeak@wfscorp.com  
(770) 599-3162

## Executive Summary

Petroleum prices rose again this week due to a variety of supporting factors including larger-than-expected draws in inventories, buoyant equity values, falling US dollar and a flare-up of hostilities in Nigeria. Refinery fires and an Iranian missile test also helped to raise oil prices. Today, benchmark NYMEX WTI crude oil breached the \$62/bbl level.

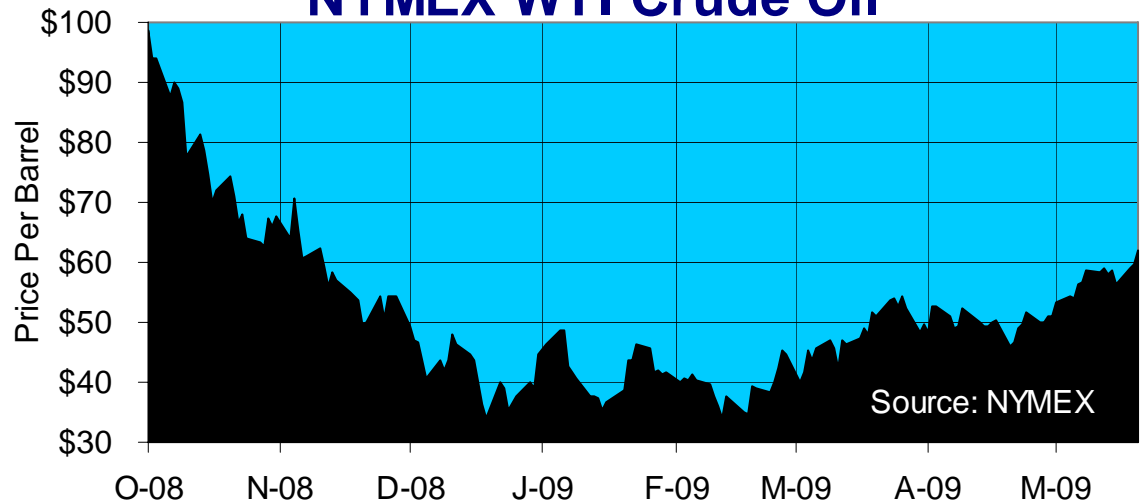
## Macroeconomic and Fundamental Factors

- The weekly oil inventory report from the Energy Information Administration (EIA) showed larger-than-expected drawdowns in crude oil and gasoline stockpiles. The gasoline statistics are especially worrisome as the approaching Memorial Day weekend is the customary start of the US summer "driving season".
- US refinery utilization fell 1.9% to 81.8% of operable capacity while total crude throughputs into US refineries fell to a 13-year low.
- Some renewed economic confidence has pushed the US dollar lower versus other major currencies. The value of the US dollar versus the euro fell to a six-month low as investors divested in the greenback with preference for riskier positions.
- Fresh security concerns in the oil-rich nation of Nigeria has idled 1 million barrels per day of oil production. The Nigerian military has been on a week-long offensive in order to destroy militant camps in the embattled country.
- Iran has successfully tested a medium-range missile, heightening concerns about the country's nuclear delivery capabilities to places such as Israel and Europe.
- Two US refineries experienced major fires this week: Flint Hill's Corpus Christi TX plant as well as Sunoco's Marcus Hook PA facility.

## Weather

- The 2009 Atlantic hurricane season starts in 11 days. The first three named storms will be Ana, Bill and Claudette.

## NYMEX WTI Crude Oil



## Continuing Airworthiness Management - The Airline/MRO Interface

### MASTER CLASS

8th July 2009, Central London

This Master Class is designed to provide a basic knowledge of Continuing Airworthiness Management and how, as EASA Part-M Subpart-G, it forms an integral part of an EU-OPS-1 Airline operation and interfaces with a Part-145 approved MRO. It is also designed to explain the role of the mandatory CAM documentation and how these are compiled and written.

#### BENEFITS OF ATTENDING

Upon completion of this Master Class, and through a process of theoretical and practical sessions you will:

- Be fully up-to-date with the principles of the Continuing Airworthiness Management process
- Understand the roles of the CAME, Aircraft Maintenance Program and Minimum Equipment List
- Apply the knowledge gained in order to introduce the building-blocks of Continuing Airworthiness Management into your particular working environment

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## FULL DAY PROGRAMME

8.45	Registration & Coffee	12:30	Networking Lunch
9:30	Role of the Continuing Airworthiness Management Organisation (CAMO) <ul style="list-style-type: none"><li>• The Continuing Airworthiness Management Exposition (CAME)</li><li>• Nominated Post-Holders – qualifications and selection</li><li>• Role of the Accountable Manager</li><li>• Role of the Continuing Airworthiness Manager (CAM)</li><li>• Role of the Quality Manager</li></ul>	13:30	Use of the Manufacturer's Planning Data (MPD) and the Aircraft Maintenance Program (AMP)
10:30	Morning Coffee	14:00	Use of the Master Minimum Equipment List (MMEL) and the Minimum Equipment List (MEL)
11:00	Quality Assurance System & Audit Plans	14:30	Afternoon Tea
11:45	Technical Records Management	15:00	Interactive Practical Session (subject to be advised on the day)
		16:45	Question & Answer Session
		17:00	End of Master Class

### About your Master Class Leader:

Alan Miles, Director, Regulatory Services and Training, IBA Group



Alan Miles started his aviation career in 1970 as an apprentice technician with Rolls-Royce. During his twenty-three year career with the Company, he progressed from manufacturing and aircraft maintenance planning through to project management, to become Business Manager of their third-party maintenance organisation.

In 1994, Alan joined European Aviation Air Charter (EAAC) where he set-up and quickly established the airline with its sister organisation, a JAR-145 approved maintenance company. During his eight-year period with EAAC, Alan was promoted to the role of Engineering Director following his successful management of the organisation's expansion plans which saw them become a major operator and maintainer of BAC 1-11 and B737 aircraft.

After leaving EAAC, Alan worked in various senior management positions within the aviation industry and as a freelance consultant, working on creating new opportunities relating to the leasing and operation of aircraft. This was in addition to running his own aviation supply company in East Africa.

In 2006, Alan joined the IBA Group as Director, Asset Management before recently being appointed as Director, Regulatory Services and Training. Now heading up IBA's training division, Alan is fully conversant with all relevant regulations and 'best practice', including the current EU-OPS-1 and Part-145 legislation as applied to maintenance issue and Part-M requirements for Continuing Airworthiness Management.

### In association with:



Founded in 1988, the IBA Group has become one of the leading aviation consultancies in the world, focusing on commercial and technical issues in the global aerospace community. Headquartered in the United Kingdom, near Gatwick Airport, IBA is an independent organisation which provides impartial opinions and recommendations to its broad portfolio of clients, without any conflict of interest.

IBA advises commercial and business aviation clients, aircraft and engine manufacturers, owners and operators. Services include asset valuations, consulting and commercial services, technical and engine management, services for corporate aircraft and owners, industry and sector research and analysis, training and regulatory services.

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# CONTINUING AIRWORTHINESS MANAGEMENT - THE AIRLINE / MRO INTERFACE

8th July 2009, Central London

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Card No:

Valid From   /   Expiry Date   /

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