

## In this Issue:

- Airbus and Boeing battle for orders
- Pilots union backs pay cuts at British Airways
- Is Sukhoi super enough?
- Exeter airline Flybe heralds lease deal
- Etihad announces \$14 billion in orders for aircraft engines
- Risk Management and Practical Solutions - A Seminar for Banks and Leasing Companies with Aviation Assets
- IBA Group News
- Weekly Oil Market Report

**IBA Group Ltd.**  
Meadowcroft House  
180 Balcombe Road  
Horley, Surrey  
RH6 9AE  
United Kingdom  
Tel: +44 (0)1293 772743  
Fax: +44 (0)1293 772745  
[www.ibagroup.com](http://www.ibagroup.com)

## Airbus and Boeing battle for orders

Airbus extended its lead over arch-rival Boeing in the hunt for orders at the Paris Air Show with the signature of deals with Chinese and Hungarian airlines.

On the fourth day of the world's largest air show, where there have been far fewer deals than in previous years, Airbus and Hungarian budget carrier Wizz Air signed a memorandum of understanding for 50 A320 single-aisle passenger jets, worth \$3.8 billion at list prices.

The deal should become a firm order shortly, Airbus chief operating officer John Leahy said at a signing ceremony.

Wizz Air already operates a fleet of 24 Airbus A320s, taking the Hungarian company's total orders for Airbus jets to 132 aircraft, Airbus said.

The Wizz Air deal followed a \$1.45bn order for 20 A320s that China Eastern Airlines announced on Wednesday night.

Airbus has racked up \$11.5bn in orders and agreements this week, ahead of Boeing, which notched up its first air show order on Wednesday: a \$153 million deal for two jets with Japan's MC Aviation Partners.

Yet even Airbus's numbers were diminutive compared with sales in previous years. Airlines and governments strapped for cash and credit appeared to have come to the biggest air show as tourists instead of buyers, admiring the hi-tech hardware but hiding their chequebooks.

Airbus spokesman Stefan Schaffrath said he was "confident there (were) more orders to come", but time was running out as many exhibitors arrived at the week-long show with suitcases in hand.

Boeing's commercial planes marketing chief, Randy Tinseth, said: "It's clearly a very difficult time for our airline customers... We're working closely with them to better understand their needs and wants."

Source: Greg Keller, Sapa-AP, busrep.co.za - 19<sup>th</sup> June 2009

## Pilots union backs pay cuts at British Airways

A pilots union has called on members at British Airways to accept pay cuts and productivity concessions to save the troubled carrier GB£26 million a year.

In return, pilots would be offered shares of BA stock if the company achieves certain growth targets.

If pilots ratify the agreement, they would take a 2.61 per cent cut in basic pay in October and accept a cut in allowances for the time spent in flight from the current GB£11 per hour to GB£9 per hour, the British Airline Pilots Association says.

An agreement to increase annual duty hours, shorter turnaround times on short haul flights and reductions in crew arrangements on some long-haul routes is expected to generate GB£10 million of the overall savings, the union said on Thursday.

British Airways, which lost GB£375 million in the year ending March 31, has asked its staff to consider volunteering blocks of unpaid working time.

The airline's chief executive, Willy Walsh, is giving up his salary in July, about GB£61,250, and chief financial officer Keith Williams would forgo his pay of GB£36,667 for the month.

In return for the concessions, BALPA said pilots will be eligible to receive BA shares worth GB£13 million in mid-2011 if certain company targets are achieved. The shares would have to be held for a minimum of three years.

The pilots will individually have to hold these for three years, when they will be free to sell them or hold them. If conditions improve sufficiently, the value of the shares could increase in that three-year period.

"We have always said that as a union we would share the pain if our members shared in the gain," said Jim McAuslan, the union's general secretary.

"Our research indicates that BA is facing a real business challenge and this is not the case of the employer crying wolf."

Source: AP, [businessday.com.au](http://businessday.com.au) - 19<sup>th</sup> June 2009

---

### IBA's

### Comment:

"Shorter turnaround times on short-haul flights is a very practical target for airlines in general, however given the slot restrictions and congestion at Heathrow, this will be a challenge for BA."

- David Rushe

## Is Sukhoi super enough?

Russian aircraft producer Sukhoi unveiled its Superjet-100 plane with great fanfare at the Paris air show this week, announcing a raft of new orders that it says pushes the total to 150.

However, it is less clear how the company, best known for its bombers and fighter jets, will manage to meet the demand.

The two latest deals are worth over \$1.5 billion.

Russian Avialeasing agreed to pay \$715 million for 24 planes that will most likely go to Russian airline UTair. Meanwhile, the Hungarian flag-carrier Malev - now 49 per cent-owned by Russian state-owned bank VEB - announced it would buy 30 Superjets for \$1 billion.

While it seems there is solid demand for Superjets, it remains questionable whether Malev's interest is genuine. The order might have been little more than a part of the PR campaign to promote the Sukhoi jets, experts suspect.

The Paris air show usually features Sukhoi military aircraft, but this time the Russians opted to draw all the attention to their new commercial planes, underlining its increasing focus on civilian aircraft.

The company plans to dedicate about 40 per cent of its production to commercial aircraft, with another 40 percent for military planes. The rest of its capacity will go to servicing the already sold aircraft.

Sukhoi struck up a partnership with Boeing a couple of years ago that it says will make the Superjet a big step forward technologically on commercial planes currently made by Russian firms.

Most of the commercial aircraft manufactured in Soviet times and afterwards were simply modified versions of much more advanced military planes. The civilian modification of the Tu-104 even had fixings for missiles.

Sukhoi CEO Mikhail Pogosyan said at the Paris air show that the company hopes to capture a 20 per cent share of the mid-size civilian airliner market and expand into Asia, Europe and North America.

To achieve this, Sukhoi has plans to make 70 planes a year by 2012, a huge jump from Russia's current output of just 10 a

### IBA's

### Comment:

"It is positive news to see orders mounting up for the Superjet, particularly given the market conditions. Russian aircraft have traditionally not been favoured by Western operators but the 75-95 seater market provides a good opportunity."  
- David Rushe

year.

Russian aviation experts believe the 75-to-95 seater Superjet could be competitive, and is already a good fit for commercial airlines amidst the current economic conditions.

"If you look at bigger jets like the Boeing 737 and Airbus 320, they have one-and-a-half times the capacity of Sukhoi's plane. Now they are flying half empty. So on the contrary, it is actually a good time for Sukhoi to hit the market with this type of plane," said Roman Gusarov, chief editor of Avia.ru.

It remains unclear whether Russia has the capacity to expand production sevenfold in just a few years.

"This means Sukhoi would be producing one plane every five days. The whole aviation industry is barely handling 10 per year, so we will see how exactly they plan to change it so fast," said Gusarov.

"We'll see where they can get sufficient production capacity and enough trained personnel. This is more of a concern than whether the demand will be enough to absorb that many planes."

Source: Sergei Balashov, mnweekly.rian.ru - 18<sup>th</sup> June 2009

"the company hopes to capture a 20 per cent share of the mid-size civilian airliner market and expand into Asia, Europe and North America"

---

## Exeter airline Flybe heralds lease deal

Flybe is to lend four planes and around 50 staff to a new Greek airline.

The Exeter-based company is providing Olympic Air with four of its Bombardier Q400 aircraft, along with pilots, cabin crew and engineering support.

Based in Athens, the aircraft will become part of the new Olympic business and will be fully crewed by Flybe pilots and cabin crew and maintained by Flybe engineers.

The lease arrangement will run from August this year until September 2010, when the aircraft will return to Flybe.

Staff, including those based in Exeter, are being asked to volunteer for the posting to Greece.

With many airlines finding themselves with spare capacity during the recession, the deal is seen as a way of keeping

Flybe's aircraft and staff busy, while bringing in valuable revenue. It comes as British Airways this week asked for volunteers to take unpaid leave or work for free.

There will be no new flights from Exeter to Greece, as Olympic Air will be a regional airline operating only internal flights. However, the link-up will boost Flybe's profile in the Greek market, laying the foundations for potential new routes in future.

The deal, which was officially announced at the prestigious Paris Air Show, is the latest in a series of measures which Flybe said would not only help it ride out the recession but make it more competitive when the economy recovers.

Chairman and chief executive Jim French said: "The partnership with Olympic Air is an exciting development for Flybe.

"Following on from our Air Transport World Regional Airline of the Year award, this is a major extension of the Flybe brand and is a very important milestone in Flybe's development."

He added: "The Flybe business model has been a great success over the last eight years and, as a result, I am proud that we will be one of the very few airlines likely to announce a profit for the 2008-09 financial year.

"Over the past 18 months or so, Flybe has been offered literally dozens of opportunities to start up or support start-ups globally, all of which, until this one, we have declined.

Source: [thisisexeter.co.uk](http://thisisexeter.co.uk) - 18<sup>th</sup> June 2009

"the deal is seen as a way of keeping Flybe's aircraft and staff busy, while bringing in valuable revenue."

---

## **Etihad announces \$14 billion in orders for aircraft engines**

Abu Dhabi's Etihad Airways came out with over \$14 billion worth of engines for its large fleet during Le Bourget Air Show. The biggest order was with US industrial conglomerate GE, which will supply Etihad Airways with engines for 35 Boeing 787s and 10 Boeing 777s alongside a maintenance contract in a deal totalling \$3.9 billion.

The airline also announced a deal with Engine Alliance, a joint venture between GE Aircraft Engines and US engine maker

Pratt & Whitney, to supply 45 engines and a maintenance contract for 10 Airbus A380 superjumbos.

A third contract was with US consortium International Aero Engines (IAE), which includes Rolls-Royce and Pratt & Whitney, for 44 engines for 20 Airbus A320s and is worth \$575 million, IAE said in a statement.

If all options and purchase rights are exercised, the total number of engines will be 469, at a list price value of \$14 billion, including maintenance contracts. This represents the largest engine order in commercial aviation history.

Etihad chief James Hogan said the new orders along with orders from the Farnborough air show last year meant the company "has now placed firm orders for a total of 239 engines ... worth over \$6.5 billion."

Etihad is owned by the UAE government and was set up in 2003. The airline has a fleet of 42 planes covering destinations around the world and carried more than 6 million passengers last year, according to the company website.

"Despite the tough economic challenges currently facing the aviation industry, Etihad Airways continues to roll out its long-term expansion plans in a measured, considered and controlled manner," Hogan said.

"The new aircraft, and engines that will power them, are scheduled for delivery between 2011 and 2020 which demonstrates the confidence we have in our plans for sustainable future growth. These plans will establish Etihad Airways as the world's leading airline and our hub of Abu Dhabi as a leading global centre of commerce and tourism," he added.

"We are operating in a very challenging environment at the moment but we have absolute confidence in our future, intrinsically linked to the exciting and on-going development of Abu Dhabi, as well our engine and aircraft manufacturers partners," Hogan said.

A key selection criterion in all of the deals has been the environmental performance of the engines.

Source: [dailystar.com.lb](http://dailystar.com.lb) - 17<sup>th</sup> June 2009

"This represents the largest engine order in commercial aviation history."

## Forthcoming Event - "Risk Management and Practical Solutions - A Seminar for Banks and Leasing Companies with Aviation Assets"

Hear first hand advice and solutions from experts in all the various areas of contingency planning, repossession and the aftermath.

This event will be hosted by Gates and Partners - the leading London Aviation Law Firm, IBA Group - the leading aviation asset management company, Martyn Fiddler and Associates - Aviation and Customs Specialists, The Isle of Man Registry, ICM Aviation - Isle of Man Aircraft SPV Specialists - and other experts.

Learn more about the following key areas:

- Aircraft repossession - key considerations,
- Practical legal steps,
- Jurisdictional concerns,
- Tax and customs issues,
- Discharge of liens,
- Maintenance,
- Continuous airworthiness management,
- Temporary registration on the Isle of Man Register,
- Setting up a special purpose company for aircraft ownership,
- Asset management,
- Remarketing.

This half day seminar / workshop is offered free of charge to anyone in the industry who is facing a possible aircraft repossession scenario. The event will take place in London towards the end of July and will be followed by a light lunch and refreshments. There will also be the opportunity to pre-book one to one consultations with any of the host companies in the afternoon following the event. More details and confirmation of the date to follow next week.

Please register your interest by emailing Owen Geach, IBA's Commercial Director, at: [owen.geach@ibagroup.com](mailto:owen.geach@ibagroup.com)

Source: IBA Group- 19<sup>th</sup> June 2009

"Hear first hand advice and solutions from experts in all the various areas of contingency planning, repossession and the aftermath."



## 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

25<sup>th</sup> -26<sup>th</sup> June 2009 - 7<sup>th</sup> Annual China Airfinance Conference, Beijing - Owen Geach will be speaking

### 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

## Phil Seymour's Notes on the Week

Well there I was, this time last week, planning my visit to Paris, receiving wonderful invites from colleagues to dine after the ISTAT reception (well one anyway, thanks Pat), only to have plans scuppered by clients. I am not complaining of course and another visit to Rome was overdue - well I hadn't been there for almost 10 days. For those of you who haven't seen the press release, we are busy with the disposal process of several assets from the "old" Alitalia - from advising on values for some parts of the business through to being sales agents for the surplus inventories. Well it therefore looks like a long summer ahead in Rome for some of the IBA team. Already we are just within a couple of days of the northern hemisphere summer solstice - I love this time of year when in London the sun rises at about 4.30am (so I am told) and it is still light at 21.30pm. That will soon be decreasing as we head to the winter. One thing is almost sure - no matter what the clients' priorities are for next week, the summer solstice WILL happen (or will it?)

I almost forgot Wimbledon - weather looks good - will Murray win, will Federer make history?

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

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

**Go to our website to find the last year editions of Newswatch archived.**

**To either SUBSCRIBE or UNSUBSCRIBE to this newsletter, please send an email to [marketing@ibagroup.com](mailto:marketing@ibagroup.com) with your request.**

The items in this document do not necessarily represent the opinion of IBA, and is intended to be for information purposes only. Therefore, IBA assumes no responsibility or legal liability for any action taken, or not taken, by the addressee, or by any other party, with regard to the information and views contained.

**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

[www.ibagroup.com](http://www.ibagroup.com)

Tel: +44 (0)1293 772743 Fax: +44 (0)1293 772745

## Highlights

- WTI hovers around \$72
- North Korea tensions
- Shrinking crude stockpiles
- Nigerian petro-violence

## 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

World oil prices remain high this week as traders assess several macro-economic reports in the US, higher equity prices and are keeping a wary watch on events in Iran, North Korea and Nigeria. Crude oil inventories continue to shrink; meanwhile, there are no hurricane threats so far to the Gulf of Mexico. Benchmark NYMEX crude oil is currently trading at about \$72.00 per barrel.

## Macroeconomic, Fundamental and Geopolitical Factors

- ▶ Violence flared in Nigeria again this week after the main militant group MEND bombed a key oil pipeline in the southern Bayelsa state.
- ▶ The value of the US dollar remains weak with €1 = \$1.3940 and £1 = \$1.6465 in early London trading. The weak US dollar has been cited by many analysts as a primary factor in rising oil prices.
- ▶ Like last week, the weekly oil inventory report from the Energy Information Administration (EIA) showed shrinking stockpiles of crude (-3.8 mm bbls). Gasoline and distillate stockpiles were a bit higher however. Refinery utilization rose .1% to 85.9% of capacity.
- ▶ Last week, the U.N. Security Council voted unanimously to expand sanctions and inspections against North Korea in response to recent nuclear tests. As tensions escalate between North Korea and the rest of the world, the US is fortifying missile defenses in Hawaii after a Japanese newspaper reported that North Korea is planning to launch a missile at Hawaii on or about July 4.
- ▶ Despite six straight days of protests and civil unrest, Iran's supreme leader Ayatolla Ali Khamenei declared incumbent Ahmadinjad as the winner in Iran's presidential election and ruled out any claims of election fraud.

## Weather Factors

- ▶ The US National Hurricane Center said that no tropical storms are expected to form in the Atlantic Ocean or Caribbean Sea during the next two days.

