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China to encourage private capital to enter civil aviation market

On June 28, Xi'an National Aviation Industry Fund Investment Management Company Limited (Xi'an Company), China's first national-level aviation industry fund management enterprise, officially opened for business in Xi'an. This marks a major change to the tradition of China's aviation industry having to rely solely on state special funds for development. The move is a landmark in the history of the development of China's aviation industry.

The company's establishment marks the launch of China's first national-level aviation industry fund and its fundraising. Private capital will be encouraged to enter China's civil aviation industry through market-oriented operations. This will change the current situation in which investment in China's aviation industry comes solely from the state.

The Xi'an National Aviation Industry Fund, with an expected scale of 30 billion yuan, was jointly initiated and organized by a group of enterprises led by Xi'an Yanliang National Aviation Hi-tech Industrial Base. Over 60 percent of the fund will be used to promote the development of the aviation industry and invest in a number of enterprises and projects with development potential within the five national-level aviation industrial bases in Xi'an, Harbin, Shenyang, Chengdu and Anshun.

Xi'an Company was formally registered on May 12, 2009, with capital of 300 million yuan.

Judging from foreign countries' experience of using private equity to develop their aviation industries, the capital market plays a significant role in promoting the development of the global aviation industry, Jin Qiansheng, chairman of the board of Xi'an Company, said.

Source: english.people.com.cn - 29th June 2009

Virgin to cut 600 jobs days after placing \$2.1-billion aircraft order

Virgin Atlantic, the UK rival to British Airways is cutting its winter capacity by 7 per cent, which will result in about 600 employees losing their jobs, just a week after it placed an order for 10 A330 passenger jets worth \$2.1 billion.

Virgin Atlantic, in which Sir Richard Branson's Virgin Group holds a 51-per cent stake with the rest being held by Singapore Airlines, said today that it would cut winter capacity by 7 per cent by suspending flights to Chicago and reducing the number of flights from London to Hong Kong.

Suspension of the Chicago flights comes a decade after Sir Richard Branson invited around 1,000 guests for a lavish party to celebrate Virgin Atlantic's inaugural flight to the windy city.

"The outlook for the industry is as bleak as ever and all airlines are having to shrink their businesses. The fittest will survive and be in a stronger position when the economy grows," said chief executive Steve Ridgway in a statement.

The statement said Virgin hoped that headcount reduction could be achieved through sabbaticals, job sharing or voluntary redundancy.

With the cabin crew, pilots, operational and administrative staff taking the brunt of the latest job cuts, Ridgway said, "We will look to minimise the number of compulsory redundancies and ensure we treat our staff as fairly as possible."

Virgin Atlantic had axed 600 jobs last February and had announced a pay freeze from last March, but the airline had gone ahead and ordered 10 Airbus A330 passenger jets worth \$2.1 billion and is negotiating with the European aircraft manufacturer for buying an additional 50 A350 aircraft to be delivered from 2014.

While placing this large order worth \$2.1 billion with Airbus on 22 June, Ridgway had said, "Virgin Atlantic has a strong history of successfully investing during a downturn and our Airbus order today sends a strong signal that now is the time to invest, in order to help protect jobs and get the world's economy moving again."

IBA's

Comment:

"There is a likelihood that the A330/B787 orders will replace existing older 747-400's on thinner routes"

- David Rushe

The job cuts come just a few days after Sir Richard Branson asked the UK government not to bail out its struggling rival, British Airways and ridiculed that the iconic UK airline was virtually worthless.

UK's flagship airline British Airways reeling under its biggest ever loss since 1987 with a pre-tax loss of £401 million, had in a fight for survival appeal, asked its nearly 40,000 employees to work free for a month in July in order to keep the carrier afloat.

Source: domain-b.com - 3rd July 2009

British Airways Deadline Comes and Goes with No Deal

A lot of confusion hit on Wednesday (1st) as to whether British Airways' talks with unions over pay freezes and redundancies would continue after the two groups broke up without an agreement. Two nights ago, the British Airways' deadline came, and talks stopped right away.

The reports went on to say that the next day after the talks stopped, the airline did not turn up to continue the talks. There are also rumours that the airline is set to ask for third party intervention from ACAS or TUC to help assist in the negotiations. The airline refused to comment the next day.

Talks that went on at a Heathrow hotel failed to reach an agreement on many key points as well. This means that the threat of a strike is still hanging over BA's head this summer. A strike now could be the straw that breaks the back of this mega giant as the boss of British Airways, Willie Walsh, said that the company is in a fight for survival.

The carrier has already announced pretax losses of £401 million for last year. They company did say that it wanted to do a two year pay freeze and have 3,000 redundancies among its 40,000 plus workforce. It also told unions that it wanted changes to the working conditions.

"the two main unions Unite....and GMB....say that the airline is asking for way too much"

However, the two main unions Unite, which makes up 28,000 members of the airline, and GMB, which makes up 7,000, say that the airline is asking for way too much. The Unite's secretary of aviation, Steve Turner, said that they are trying to force through all the things that they have not been able to have in 25 years.

Source: CompareCarRentals.co.uk, UK - 2nd July 2009

Boeing 787's latest delay may boost Airbus A350XWB orders

Boeing has been beset by a continuing rash of production problems involving its ground-breaking 787 "Dreamliner," a twin-engine aircraft that promises a nonstop range of up to 8,200 nautical miles and 20 percent fuel savings - when it finally takes flight.

That's the rub. The 787 is some two years late. Beset by at least five delays, it's still sitting on the ground waiting for the green light to fly. The immediate beneficiary: Airbus, specifically its A350XWB (Extra Wide Body). "That airplane could be the future," argues Mike Boyd, president of Colorado-based Boyd Group International, a major aviation consulting firm.

While Boyd believes the Dreamliner will eventually fly, "the real danger is that the two year gain [Boeing] had on Airbus is lost. That's two years closer to the A350XWB coming out." Airbus' advantage, he believes, is that European engineers will learn lessons from Boeing's trailblazing travails. Airbus, no doubt, is taking copious notes on just what caused the 787's five delays: supply chain problems, parts problems, a strike, and most recently what Boeing terms "a need to reinforce an area within the side-of-body section of the aircraft." Boyd believes Airbus is learning from all of this, and formulating plans to make sure it doesn't happen to them.

"Airbus is learning from all of this, and formulating plans to make sure it doesn't happen to them"

"The 787 delay really does nothing but enhance Airbus' position on the A350," agrees Jon Ash, president of Washington, DC-based InterVISTAS, another prominent aviation consulting firm. "Arguably, they've got time to deal with new product development problems."

Time is on the side of Airbus just now and the European airframe manufacturer could be getting set to pounce. Here's the equation: The A350XWB is "due to come out just about the same time a lot of Triple-Sevens (Boeing 777s) are due to come off lease," says Boyd. That means airlines will be craving newer, more fuel-efficient aircraft - and lots of them.

Boeing projects the total market for new-generation, long-range, fuel-efficient twinjets at some 3,500 aircraft. It expects to sell "more than half" of them. Boeing spokesman Jim Proulx tells Examiner.com that Boeing has already racked up 851 firm orders for the Dreamliner. Airbus indicates it has 483 firm orders for the A350XWB.

The fear is carriers could defect from Boeing if 787 deliveries slip much further. Citing the economy, Qantas has cancelled orders for 15 787-9s, and postponed delivery of a like number of somewhat smaller 787-8s.

On the other side of the ledger, Boeing just got a boost from 787 launch customer All Nippon Airways. ANA says it intends to buy 55 Dreamliners, increasing its order from 50.

Still, "If the 787 doesn't come about as advertised we have a world of hurt," contends Boyd. "Remember, this is a very complex airplane. Everything is new. The supply chain is new. The production track is new." And the Seven-Eight is composed of 50% composites - that too is new, radically new, for a large commercial airliner. "It really is a leap."

That leap has led directly to delays. Ash says the most recent hold-up came as no revelation. "Nobody's surprised," he asserts. "The people that I talk to weren't surprised...It was [a lack] of confidence in Boeing's pronouncements every six or eight months that the problems would be resolved."

IBA's

Comment:

"Airbus, after its own A380 problems and the ongoing 787 woes, will want a smooth roll-out for the A350XWB and will put a tight rein on the supply-chain process"

- David Rushe

Should airlines defect from Boeing's trailblazing "Seven-Eight," and opt to wait for the A350XWB the United States too could be in a 'world of hurt.' Making commercial airliners is one of the things this country does really well. It helps keep balance of trade numbers from falling further off the charts in favour of foreign countries - this as nations the world over flock to the Pacific Northwest to buy Boeing jets.

This may be the biggest Boeing jet of all time - not in terms of sheer size, but of importance. Get it wrong and this nation's technological jewel of a company could be badly hurt.

That is why some industry insiders think being first isn't always best. The competition waits in the wings while the front-runner incurs the inevitable costs of manufacturing a new flying machine in this case perhaps the most revolutionary subsonic flying machine ever produced.

No word yet on when the Dreamliner will make its first test flight. In a prepared release Boeing says, "First flight and first delivery will be rescheduled following the final modification of the side-of-body section and testing plan. It will be several weeks before the new schedule is available.

Source: Examiner.com - 2nd July 2009

"this may be the biggest Boeing jet of all time - not in terms of sheer size, but of importance"

A setback for airline alliance

The Justice Department opposes Continental Airlines Inc.'s broad request for antitrust immunity to work more closely with United Airlines and other carriers on international service.

The department says the airlines should get more limited immunity. It argues that broader immunity could hurt competition on other routes including between the U.S. and China and even raise fares within the United States.

The impact of the Justice Department stance, disclosed in a regulatory filing late Friday, was unclear. The final decision on Continental's request for immunity to join United's alliance of other airlines rests with the Transportation Department.

The Transportation Department gave preliminary approval to the request several weeks ago, but soon after that the Justice Department signalled that it wanted a chance to study the proposal.

Continental spokesman Dave Messing said the airline is still confident that the Transportation Department will approve its request.

Messing said Continental needs the approval to compete fairly with airlines that already have antitrust immunity.

"In this economic crisis, it is more important than ever for the U.S. government not to hamper our industry's and company's efforts to remain competitive and serve our consumers and communities," he said.

Continental, the nation's fourth-largest airline and the leading carrier at Newark Liberty International Airport, wants antitrust immunity to cooperate with United and other Star Alliance airlines in setting prices and schedules for international service. Other members of the Star Alliance include US Airways, Lufthansa and Air Canada.

The Justice Department said the benefits that Continental claimed from antitrust immunity could be achieved without immunity.

The department also cautioned that immunity for Continental and United to work more closely could hurt competition on U.S.-Beijing routes. The department said letting Continental cooperate with Air Canada and European SkyTeam members could leave consumers with fewer choices and higher fares on travel between the U.S. and Canada and on some routes to Europe, including New York-Geneva and Chicago-Frankfurt.

The department also said closer ties between United, the No. 3 U.S. carrier, and Continental "raises significant concerns" about hurting competition within the United States.

The Justice Department's opposition to immunity for Continental could affect AMR Corp.'s American Airlines, which wants immunity to work closely with British Airways and Spain's Iberia on trans-Atlantic routes. American, BA and Iberia belong to an alliance called oneworld.

“The department said letting Continental cooperate with Air Canada and European SkyTeam members could leave consumers with fewer choices and higher fares on travel between the U.S. and Canada”

American said it still expects to win immunity from the Transportation Department by the end of October, said spokesman Andrew Backover.

"The sooner that our application is approved, the quicker it will lead to healthier and more robust competition by allowing oneworld to compete on the same playing field" against two other alliances that already have immunity, Backover said.

SkyTeam, including Delta and Air France, already has antitrust immunity on trans-Atlantic routes, as do the Star Alliance members other than Continental. Houston-based Continental expects to leave SkyTeam on Oct. 24 and join Star quickly.

Source: The Associated Press, northjersey.com - 30th June 2009

Boeing gains momentum on 747-8 freighter assembly

The Boeing Co. is moving right along on the assembly of its first 747-8 Freighter in Everett, Washington.

Workers recently joined the 40-foot fuselage section to the center wing box. This first freighter will soon move to the final body join position.

"We continue to gain momentum on the assembly of the first 747-8 Freighter," said Mo Yahyavi, vice president and general manager of the 747 Program, in a statement. "The airplane is coming together well and will be ready to fly later this year as planned."

With the 747-8 moving along with ease and the new 787 stalled, it's now a matter of which one will fly first. Boeing had planned to put the Dreamliner in the air this month but postponed that first flight just last week. No new first flight schedule has been provided.

The 747-8 program, with 78 orders, previously sustained a delay because Boeing had to keep engineers on the 787 longer than anticipated.

Source: Herald.net, WA - 1st July 2009

"The 747-8F will be flight undergoing flight tests in an unprecedented downturn in the freight market"
- David Rushe



IBA Group News

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

IBA Aircraft for Sale

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 or call: +44 (0)1293 772743

Phil Seymour's Notes on the Week

Well I am winding down to my holiday - 10 days in Spain. I will be able to see for myself how the scene has changed since the last time I visited two years ago.

Has the recession hit Puerto Banus? Will the 60 metre floating palaces have been replaced with smaller types?

Will the Ferraris and Lamborghinis have become Opels and Fiats?

Unlikely. However, the cars and boats may show some signs of ageing - A bit like myself!

A Brit to win Wimbledon?

Anyway...Time for humble pie, I suggested a couple of months ago that I thought swine flu may be a media inspired pandemic. Well, the latest news from the same media is that by the end of August there will be 100000 new cases per day in the UK alone. So by the time I get back from Spain I expect to have to carry my own bag from the aircraft to the car due to BA loaders being off sick!! If I had flown Ryanair I may have had to carry it anyway.

I promise to be quiet for a few weeks.

Phil

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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

- WTI hovers around \$69
- Nigerian petro-violence
- Volatility in equities and US dollar
- Political moves afoot
- Caribbean storm

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 remained high this week, trading in a generally sideways pattern as traders keep a wary eye on macro-economic data, equity prices, the US dollar, Iranian unrest and Nigerian violence. Benchmark crude oil (front contract) is currently at \$69/bbl.

Macroeconomic Factors

- ▶ The US Department of Commerce finalized 1Q09 GDP at -5.5% p.a., a downward revision of .2% but an improvement over the fourth quarter's figure of -6.4%. Jobs data from the US Labor Department was slightly worse than expected.
- ▶ Rising risk tolerance helped to push the US dollar lower this week as global investors conclude that US and European central banks will maintain a pro-recovery stance and aren't likely to tighten monetary policies soon. €1 = \$1.4026 in early trading today.

Fundamental Factors

- ▶ Violence in oil-rich Nigeria continues this week with the sabotage of two crude oil pipelines. Militants have pledged to continue the bombings until their demands are met including amnesty for many MEND organization terrorists and leaders.
- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) showed shrinking stockpiles of crude but rising product inventories. National refinery utilization rose 1.2% to 87.1% of capacity.

Political Factors

- ▶ Democrats in the US Senate are considering "anti-speculation" legislation that would give the Commodity Futures Trading Commission authority to take un-specified actions against what it deems to be excessive speculation in the oil market.
- ▶ The Obama Administration's landmark climate bill is gaining ground in the US House of Representatives. The massive bill, if enacted, would change the way the US produces and markets energy by establishing an emissions cap and trade scheme.

Weather Factors

- ▶ Meteorologists are monitoring a large area of storms in the western Caribbean, moving to the NW. For now, forecasters believe this system to be primarily a rain event for the next 36 hours.

Spot Jet Fuel Prices

