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Southwest Airlines' Bid to Acquire Frontier Not Selected at Auction

Southwest Airlines confirmed on August 13 that its bid to acquire Frontier Airlines was not selected.

Southwest submitted a bid of more than \$170 million to Frontier Airlines on Monday, Aug. 10, 2009, in accordance with the procedures established in the U.S. Bankruptcy Court for the Southern District of New York.

"We said all along that we would only move forward on this deal if it proved to be the right decision for our Employees and financially prudent for our Company," said Gary Kelly, Southwest's Chairman of the Board, President, and CEO. "We have a mission to preserve and protect our Culture and the best interests of our Employees, Customers, and Shareholders. This was a great opportunity that required us to act fast. A lot of people worked very hard with every intention of making this work. We were fortunate to be in a position to examine the acquisition to see if it was the right decision for Southwest Airlines. We chose not to amend our bid to remove the labour requirement, a key reason our bid was not selected. Our congratulations to Republic Airways and Frontier Airlines."

"As stated in its initial statement of interest on July 30, 2009, Southwest said there would be several contingencies to be resolved for a deal to go through. Key in its position, Southwest was not willing to remove the need for the two Pilot Unions to reach agreement. Southwest says its Culture and relationships with its Employees are too important to compromise," Southwest Airlines report said.

"Southwest remains committed to serving the Denver market with our low fares and excellent Customer Service," Kelly said. "We began serving Denver in 2006 with just 13 flights and have grown to offer 112 nonstop daily flights today. We are very pleased with the response we have seen to our service and growth in Denver, and we will continue to compete vigorously in the market."

One of the contingencies in Southwest's proposal was that labour groups from the two airlines would need to reach an agreement on how the two Pilot Unions (SWAPA and FAPA) would work together. Despite a good faith and

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diligent effort by all involved, including the top leadership of the Southwest Airlines Pilots Association (SWAPA) and the Frontier Airlines Pilots Association (FAPA), who laboured long into the night, the two unions were not able to come to an agreement before the auction deadline. As a result, Southwest's bid was deemed unacceptable.

Frontier filed for bankruptcy court protection in April 2008. Southwest submitted its initial indication of interest to acquire Frontier Airlines on July 30, 2009, which gave the carrier an opportunity to engage with Frontier in the due diligence required to determine the scope of a binding proposal. Southwest submitted a bid of more than \$170 million to acquire Frontier on Monday, Aug. 10, 2009.

Source: finchannel.com - 14th August 2009

IBA's Comment:

"Airbus will be watching the outcome of the Frontier Airlines sale closely, as 15% of the A318 worldwide fleet is with the US carrier."

- David Rushe

Delta, US Airways swap takeoff, landing slots

The sudden flurry of airlines swapping takeoff and landing slots at Washington and New York-area airports continued on Wednesday with Delta and US Airways striking a deal similar to the one between AirTran and Continental disclosed the day before.

The carriers will get more bang for the buck in congested areas where slot access is limited and where they face increased competition from Southwest Airlines, which has a knack for bringing lower fares to new markets it serves.

They will also be able to serve destinations where they believe they can be more profitable than routes where they are cutting service, all at a time when weak demand for air travel has shed billions of dollars in revenue from airlines' balance sheets.

There is no consensus as to what will happen to fares as a result, but experts agree that passengers in general should not be affected much by big players changing positions at three airports. The deals are subject to government approval and the Department of Transportation is expected to scrutinize the swaps.

A slot is an interval of time during which an airline can takeoff or land its aircraft at an airport. A pair refers to cities airlines

"In these two deals, no money is changing hands."

fly between. Slots, especially at peak times of day and in busy corridors like the Northeast, are valuable to airlines. In these two deals, no money is changing hands.

Source: Harry R. Weber, Associated Press, lansingstatejournal.com - 13th August 2009

Bombardier cancels MyAir's order for 15 jets

Bombardier Aerospace has cancelled an order from Italy's MyAir for 15 of its CRJ1000 aircraft as the carrier faces an "uncertain situation," the transportation manufacturer said on Tuesday.

MyAir had initially ordered 19 of Bombardier's CRJ900 regional jets in 2006, and four were delivered. The Italian airline later upgraded its order for the remaining aircraft to Bombardier's CRJ1000.

"Bombardier's decision comes as the air carrier is facing an uncertain situation," the company said in a statement.

Italy's civil aviation authority suspended MyAir's licence last month due to financial troubles at the airline.

The orders would have been worth about \$750 million to Bombardier, according to terms released in previous orders for the CRJ1000.

The 100-seat CRJ1000, launched in 2007 as the next major step in the evolution of Bombardier's CRJ Series airliners, is expected to receive certification and enter into service by December or January.

Air France subsidiary Brit Air has ordered 14 of the aircraft and Spanish airline Air Nostrum has 35 orders on Bombardier's books.

Source: Ifpress.ca - 12th August 2009

Bangkok Airways to write off damaged plane

Bangkok Airways aims to write off the ATR 72-500 turboprop damaged in last Tuesday's plane crash at Samui Airport.

The privately owned carrier has filed a US\$11.7-million compensation claim with Bangkok Insurance for the total loss of the French-made plane, said the airline's vice president M.L.

"Bombardier's decision comes as the air carrier is facing an uncertain situation" - Bombardier Aerospace

Nandhika Varavarn.

International aviation experts agree that the aircraft cannot be fixed, given the extensive damage to its nose section - regarded as the nerve centre of the plane - and that any repairs could raise safety fears.

The carrier's view of the aircraft as a write-off reflects the airline's unwillingness to return the plane to its fleet even if repaired.

"Safety is our priority," said M.L. Nandhika.

The insurance company must dispose of the aircraft wreckage after authorities, the manufacturer and other parties have completed their investigation into the accident, aviation experts said.

Last Tuesday, the Varavarn slid off a runway after landing at Samui Airport and then ploughed into a disused control tower, killing its pilot and injuring 12 passengers and crew, four of them seriously.

Preliminary theories suggest wind sheer may have affected the plane as it touched down in heavy rains at about 2.30 pm. Flight PG 266 from Krabi was carrying 68 passengers, two pilots and two crew members.

Bangkok Airways has no immediate plans to replace the aircraft, given the fall in demand during the downturn, said M.L. Nandhika.

The airline's fleet consists of seven Airbus A319s, three Airbus A320s and two Boeing 717s as well as eight ATR 72 turboprops for feeder routes.

The airline is due to return its two B717s to the leasing company in September and October this year. Two ATR 72s have also been leased to PB Air, another domestic airline.

Bangkok Airways' insurance provides up to \$750 million coverage per air accident, said the airline's executive.

The airline's bookings are intact and passenger traffic on its flights to and from Samui has been unaffected by the accident, she said.

Source: Boonsong Kositchotethana, bangkokpost.com - 11th August 2009

"the airline's unwillingness to return the plane to its fleet even if repaired"

"Two ATR 72s have also been leased to PB Air, another domestic airline."

VEB to Help Finance Aeroflot Jet Purchase

Aeroflot, Sukhoi Civil Aircraft and VEB will sign an agreement next week under which the bank will finance the delivery of Superjet aircraft to Aeroflot, Industry and Trade Minister Viktor Khristenko said on Monday.

The sides will sign the contract at the annual MAKS Aviation Salon, Khristenko said. The event will take place from Aug. 18 through 23 in Zhukovsky, a town in the Moscow region.

Aeroflot ordered 30 Superjets at a discounted price of \$21 million, which was later increased by about \$1.4 million because of additional equipment expenses. VEB is expected to finance 10 aircraft through its VEB-Leasing subsidiary.

Aeroflot and Armenian airline Armavia are expected to receive the first two Superjets by the end of the year.

Three aircraft are undergoing testing, and 13 more are in various stages of completion, Khristenko said. Twenty Superjets will be produced in 2010, and by 2013 Sukhoi hopes to produce as many as 70 per year.

Sukhoi currently has orders for 122 Superjets.

"I don't want to speculate on how many more contracts will be signed during MAKS," Khristenko said. "It's not the best time to sign contracts."

Since 2004, state support for the aviation construction industry increased twentyfold to about 90 billion rubles (\$2.8 billion) in 2009, Khristenko said.

The substantial government support is meant to "guide the corporations through the difficult period," Khristenko said, referring to the three main aviation construction concerns in Russia: the United Aircraft Corporation, United Engine Building Corporation and Russian Helicopters.

The restructuring of these industries is complete but the next step, which is raising capital through share sales, has been postponed because "it's bad manners to go public right now," he said.

Steady demand for Russian civilian aircraft can save the industry, Khristenko said, expressing hope that planned airline Rosavia, a joint venture between Russian Technologies and the Moscow government, will become a significant partner for the

IBA's

Comment:

"It will be interesting to see how much of an impact the Sukhoi Superjet can make on the regional market, particularly in China where the type could potentially be a strong seller"

- David Rushe

local industry.

Some analysts have called Rosavia dead in the water since little progress has been made on its development. Khristenko was more optimistic, however, saying of the airline, "I wish them more health than I do myself."

The Russian industry hopes to take a 5 percent market share for regional and mid-range planes in 2015 and up to 10 percent by 2025. There are currently only two Russian planes ready to begin operations in this segment: the regional Superjet and the An-148, so "we will have to work hard" to reach those goals, said Oleg Panteleyev, an independent analyst.

"But it will be possible in the segments where UAC will have a product," Panteleyev said.

UAC's highly awaited candidate for the mid-range segment, the MS-21, will likely be available only in 2020. Russia has no projects for a long-range aircraft, Khristenko said.

Source: Maria Antonova, themoscowtimes.com - 11th August 2009

"The Russian industry hopes to take a 5 percent market share for regional and mid-range planes in 2015 and up to 10 percent by 2025"

Limited places left on free risk management seminar

Forthcoming Event: Risk Management and Practical Solutions - A Seminar for Banks and Leasing Companies with Aviation Assets. 1st September 2009, London

The International Bureau of Aviation (IBA Group), along with the other event co-hosts, are delighted to report that places on their free seminar are filling up fast. The event will bring together experts from all the various areas of contingency planning, repossession and the aftermath, with the aim of offering attendees free advice and solutions on how to best manage a possible aircraft repossession scenario.

The event's hosts are 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 to be announced on the day.

This seminar is offered free of charge to anyone in the industry who is facing a possible aircraft repossession scenario, but be quick as places are going fast! The following topics will be covered:

- Aircraft repossession - key considerations,
- Practical legal steps,
- 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.

The event will take place at the Royal Aeronautical Society in London on 1st September 2009. The main seminar will run in the morning, with talks and interactive sessions from our panel of experts. This will be followed by a light lunch and refreshments. The afternoon session offers attendees an opportunity to network and also take advantage of one-to-one consultations with any of the host companies.

Please register your interest by emailing David Rushe, Commercial Manager, at david.rushe@ibagroup.com or Aoife O'Sullivan, Partner, at AOSullivan@gatesandpartners.com



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IBA Group News

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

Conference Dates

1st September 2009, London - Risk Management and Practical Solutions" - A Seminar for Banks and Leasing Companies with Aviation Assets - IBA is hosting the event along with other leading aviation experts.

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 or call: +44 (0)1293 772743

Phil Seymour's Notes on the Week

So it's official: the recession is over in France and Germany. GDP increases seemed to surprise everyone even in those countries. Since we all agree that air traffic is linked to GDP growth, let's see how quickly the improvements feed into improved revenues and profits for those respective nations.

My advice is "do not hold your breath" while you wait, it could be some time before increased consumer confidence filters into increased leisure and business travel.

It's also the start of the UK football season. Arsenal travels to Everton then play Celtic away in midweek in the first leg of the Champions League qualifier.

Great news: summer has finished, recession over.

Regards,

Phil Seymour, 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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