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Airbus, Boeing wooing United Airlines for plane order

United Airlines is close to placing its first aircraft order in more than a decade and has narrowed its search to two groundbreaking airplanes: Boeing's 787 Dreamliner or Airbus' counterpart, the A350-XWB, sources told the Tribune.

United is being furiously courted by both Chicago-based Boeing Co. and France-based Airbus SAS, sources said, even though the carrier's finances appeared shaky just months ago.

Winning United's business is important to both plane-makers, analysts said. Aside from US Airways, Airbus has yet to land a major U.S. airline customer for the A350, a largely composite jet that is due to enter the market in about five years.

With a United order, Boeing stands to gain a publicity boost. It has garnered only 13 Dreamliner orders this year, along with 83 cancellations for the jet, which is more than two years behind schedule. A victory also would spare the aerospace giant the embarrassment of losing a longtime customer based just blocks from Boeing's corporate headquarters.

By year's end, United plans to place a firm order for 25 long-range jets worth upward of \$5 billion at list price, said people familiar with its plans. United also wants options for 75 additional wide-body planes that could be converted to orders at a later date.

United intends to hold a separate competition for narrow-body planes next year. Combined, the two contests could add about 150 planes to the carrier's fleet over the next decade.

A United spokeswoman confirmed that the carrier had decided to split its jet purchases but would not address other aspects of its plans. She downplayed a rumour sweeping aviation circles that a deal was imminent.

"We are not working toward a specific time frame," said Jean Medina, the United spokeswoman. "We are working toward getting the right deal for the company."

After sitting on the sidelines while other U.S. carriers placed orders in recent years, United is taking advantage of a buyer's market for jetliners. Emirates Airline and Ryanair are the only other marquee airlines shopping for planes, analysts said, while many financially squeezed carriers are attempting to defer or cancel orders that they placed during global aviation's mid-decade boom.

United, the nation's third-largest carrier, made it clear that it expected manufacturers to provide advantageous pricing and to help finance the purchase when the airline issued a request for proposal in June. While some in aircraft financing circles scoffed at its approach, United appears likely to get its way.

Analysts think that Airbus likely holds the edge if United's decision comes down to money, since it has a reputation for striking aggressive deals. Boeing has argued that Airbus can afford to undercut pricing because it is illegally subsidized by European governments, an argument supported by World Trade Organization judges in a preliminary ruling this fall.

Representatives of Airbus and Boeing declined to comment.

Source: Julie Johnsson, chicagotribune.com - 20th November 2009

IBA's
Comment:
"A key driver for UAL's fleet planning is likely to be the replacement of ageing 757-200's which may give the lighter Boeing 787 an advantage."
- David Rushe

New aircraft delivery delay downs PB Air

A delay in the delivery of new aircraft has forced PB Air, an airline founded by Boon Rawd Brewery beer baron Piya Bhirom-Bhakdi, to halt its entire flight operation.

Delivery of the two Saab 340s, leased from the US-based aircraft lessor AeroCentury, was postponed because PB Air found the condition of the Swedish-made turboprops unacceptable.

The first Saab 340 was supposed to be delivered in September and the second in October, but the delivery was put off until "probably" the end of next month, said PB Air chief executive Pornsartid Naruenartwanich.

The airline was forced to suspend all flights, starting this

month, as it has no aircraft at its disposal because of the delivery delay and Bangkok Airways repossessing two ATR 72-500 turboprops at the end of October it leased to PB Air.

Bangkok Airways declined to extend the lease of the two French-made ATRs to PB Air until the 33-seat Saab 340s are available because it wants to use them to serve high-season demand.

PB Air began the lease in April this year to substitute for two Brazilian-made Embraer ERJ 145 LR jets that were returned to the American aircraft lessor Gecas after seven years in the airline's service.

AeroCentury has not yet confirmed delivery by around Christmas of the planes leased for five years, said Mr Pornsartid.

PB Air's website said all flights were "suspended until further notice".

While it is unclear why PB Air declined to accept the two Saabs, he said: "We want to make sure that corrections are made to the two aircraft so when we take delivery they are in perfect condition."

He stopped short of saying PB Air would make the California-based aircraft leasing firm accountable for the loss of business opportunity during the high travel season.

PB Air operates from Bangkok's Suvarnabhumi Airport to seven domestic destinations: Lampang, Mae Sot, Nan, Nakhon Phanom, Sakon Nakhon, Buri Ram and Roi-et.

The 19-year-old airline earlier announced plans to inaugurate flights to Chumphon, probably with four flights a week, and Surin, with three flights a week, later this year using the twin-engined Saab 340s.

The two Saab 340s leased by PB Air are about 12-13 years old, and were used in flights in the US previously.

The Saab 340 was first rolled out in 1983 and production ceased in 1999 after 459 were built.

Source: Boonsong Kositchotethana, bangkokpost.com - 20th November 2009

"it has no aircraft at its disposal because of the delivery delay and Bangkok Airways repossessing two ATR 72-500 turboprops"

Vietjet Air seeks to delay take-off until next year

VietJet Aviation Joint Stock Co. (Vietjet Air) is seeking approval to commence its domestic flights in May 2010, or five months later than the deadline for the private airline, said an aviation official.

Vo Huy Cuong of the Civil Aviation Administration of Vietnam (CAAV) confirmed Vietjet Air's application for such approval from the Ministry of Transport and pointed out lower-than-expected market demand as one of the reasons for the delay again. The private carrier had earlier been given December as the deadline to launch its maiden flight or have its license revoked as per civil aviation regulations.

The director of CAAV's Air Transport Department told the Daily on the phone on Monday that Vietjet Air said in the application that it would need more time to complete procedures to obtain a certificate to operate passenger aircraft as required.

"They (Vietjet Air) are completing the procedures," Cuong said. He added that CAAV would be the competent authority to grant such an aircraft operation certificate to the first private airline licensed in Vietnam.

Cuong said CAAV had reported to the ministry that Vietjet Air's application was reasonable as the market was really in a difficult time as a result of the global financial turmoil and the fact that the airline was actually determined to operate its flights.

"We are waiting for the ministry's decision," Cuong said in response to the Daily's question about the possibility for Vietjet Air to retain the license. "Our policy is to create the most favourable conditions in compliance with regulations for enterprises."

Vietjet Air chief executive officer Nguyen Duc Tam told the Daily via email before Cuong's confirmation that the airline was hurriedly completing necessary procedures as well as investing in preparations for aircraft operation.

"We are actively making preparations and Vietjet Air's plan to fly will become a reality soon," Tam answered one of the

"Vietjet Air was working on plans to lease and maintain aircraft, register the intellectual property rights for its brand and logo in Vietnam, Japan, Hong Kong and Thailand and other markets the airline planned to fly to."

questions raised by the Daily in relation to the date when the carrier took off.

Tam clarified Vietjet Air was working on plans to lease and maintain aircraft, register the intellectual property rights for its brand and logo in Vietnam, Japan, Hong Kong and Thailand and other markets the airline planned to fly to.

"We plan to operate two Airbus A320s and then gradually increase our fleet after six months of operation," Tam said and added that the carrier was investing heavily in human resources and operations at its offices in the north and the south.

Vietjet Air still sticks to its previously-publicized plan to conduct flights to Hanoi, HCMC and Danang in the initial time before expanding services to Bangkok, Singapore, Malaysia, China, Korea and Japan.

Vietjet Air was licensed in December 2007, with charter capital of VND600 billion (some US\$33.5 million), but has had to announce several delays for take-off due to the impact of the soaring high fuel costs in mid 2008 and low market demand among others.

Tam said the soaring price of fuel in a short time in 2008 dealt heavy blows to many airlines and forced them including the private one to review their business strategies.

Tam indicated the volatile price of fuel and low market demand as among the major challenges to airlines. "In this current situation, we must be cautious about conditions and our business strategy."

Despite a host of challenges ahead, Vietjet Air is still committed to operating commercial flights. The civil aviation law regulates two years are the valid period for a license granted to a new airline.

Source: english.vietnamnet.vn - 18th November 2009

IBA's

Comment:

"The present economic climate does not offer much attractiveness to start-up operations, particularly in the competitive South East Asian Market. However, it is a good time to acquire aircraft such as the A320-200 for favourable lease rates."

- David Rushe

Mideast to need more than 1,400 planes by 2028

Two aircraft manufacturers, Airbus and Boeing estimate that the Middle East airlines would require anywhere between 1,436 (as per Airbus' forecast) and 1,710 (Boeing's forecast) aircraft over the next 20 years, indicating an improvement in outlook.

"Airlines in this region will need about 1,710 new planes valued at \$300 billion (Dh1.1 trillion) between now and 2028," said Randy Tinseth, Vice-President of Marketing, Boeing Commercial Airplanes, adding that Boeing forecasts about 150 freighters to be delivered to Middle East-domiciled carriers over the next 20 years.

John Leahy, Airbus' Chief Operating Officer - Customers, added: "At this particular junction, we see the market improving, not deteriorating. Six to nine months ago, people were talking about delaying or cancelling. I am not hearing any of that at this airshow."

In its forecast for the next 20 years, Airbus predicted that carriers in the Middle East will require a total of 1,436 aircraft (passenger and freighter combined) valued at \$248bn to satisfy above world average demand.

Globally, Boeing projects investments of \$3.2trn for 29,000 new commercial aircraft to be delivered during the next 20 years.

Whereas, Airbus predicts the world airlines would need 25,000 new aircraft between 2009 and 2028.

While presenting their Global Market Forecast for the next 20 years, with only a slight difference in demand prediction both Airbus and Boeing executives said the Middle East is the next growth market.

"The Middle East along with Asia will lead the aviation sector into recovery. We see tremendous growth for the Middle East, and Middle East carriers are well-positioned to meet those growth requirements with the fleet capacity they have in the form of unfilled orders, or backlog," said Tinseth.

Echoing similar thoughts, Airbus' Leahy said: "The Middle East encompasses all aircraft segments and is a barometer for the rest of the world. The recovery begins here. As it gains pace, Airbus is ready to meet demand with the most eco-efficient and modern aircraft."

IBA's

Comment:

"For a region with only 278 million inhabitants, the launch of hub-based operations in the Middle East has allowed passenger levels to grow and enabled aggressive fleet expansion campaigns. The region will be key for wide-body orders in the coming decade."

- David Rushe

According to Airbus' forecast, by 2028, the region's passenger fleet will treble to 1,681 from the 586 passenger aircraft recorded at the beginning of 2009.

"Of these 586 passenger aircraft, newer more eco-efficient models will replace 323 ageing aircraft, 221 will be recycled and 42 will remain in service," said Leahy.

The Boeing forecast also reflects significant potential for low-cost regional service.

"Since 2003, there have been several low-cost airlines that have begun service in the region," said Tinseth.

He said budget carriers represent nine per cent of the Middle East's seats. As for the market share of both the plane manufacturers with regards to new orders, while Airbus is leading the show in the region with 59 per cent, Boeing is not too far behind with 41 per cent.

Of the 3,400 aircraft Airbus has in its backlog at present, 18 per cent is accounted for by the Middle East, according to Leahy.

"I would certainly like to increase that backlog in the future," he said.

Source: Shveta Pathak, zawya.com - 18th November 2009

"Airbus predicts the world airlines would need 25,000 new aircraft between 2009 and 2028."

Yemen state carrier to buy 10 Airbus A320s

Airbus on Monday scored its second aircraft order at the Dubai Airshow when it signed a deal to sell 10 A320 planes to Yemen's national air carrier.

Yemenia and Airbus signed a memorandum of understanding for the planes, which Airbus said are worth \$700 million at list prices. Airlines typically negotiate bulk discounts, however, especially in tough economic times.

A day earlier, France-based Airbus finalized a \$3 billion deal with Ethiopian Airlines for 12 A350XWB aircraft that had been agreed earlier in the year under a similar memorandum of understanding - effectively a promise to buy.

Airbus officials said when announcing the Ethiopian deal Sunday that the company only adds requests to its order books once those promise agreements are finalized.

The two deals reflect an emphasis on smaller carriers and more modest orders at the Middle East's premier aviation fair, as the global economic downturn squeezes the industry.

Many analysts expect the weeklong show to fall well below the record-breaking \$155 billion in orders that were struck during last year's event.

Yemenia plans to use its A320s to expand service on routes to the Middle East, Africa, India and Europe.

The San'a-based airline, which has a spotty safety record, is eager to upgrade its aging fleet. In June, a Yemenia Airbus 310 passenger jet with 153 people on board crashed as it tried to land during heavy wind on the island nation of Comoros.

Yemenia board member Saleh Alawaji, who signed the agreement, said the carrier hoped to "grow with an integrated fleet."

The airline's existing fleet includes two Airbus A330-200s and three A310s. It placed an order for ten Airbus A350XWB at the last Dubai Airshow in 2007.

Meanwhile, the head of Dubai's Emirates airline told reporters the carrier is in talks with Boeing and Airbus for additional planes, though it is unclear whether any deal will be announced at this week's show.

Sheik Ahmed bin Saeed Al Maktoum said Emirates is considering new purchases of Boeings 777s and Airbus A330s. He did not give details on the size of the possible orders but said it could be "tens" of aircraft.

"The two deals reflect an emphasis on smaller carriers and more modest orders at the Middle East's premier aviation fair, as the global economic downturn squeezes the industry."

Source: Adam Schreck, etaiwannews.com - 16th November 2009

flydubai announces \$160m worth financing deal

flydubai, Dubai's first low cost airline, has announced two aircraft financing deals worth \$160m on the second day of the 2009 Dubai Airshow.

The financing covers the first two aircraft that flydubai received in May of this year and ensures all six aircraft the budget carrier will have by the end of this year are permanently financed.

The first deal is with Macquarie AirFinance, a global aircraft leasing company providing aircraft and capital to the world's commercial airlines. Worth \$80m, at list prices, this is a medium term sale and leaseback agreement similar to the deal flydubai signed earlier in the year with GECAS (GE Capital Aviation Services).

The other deal is with Dubai Islamic Bank and marks flydubai's first financing from within the UAE. Again a five year deal worth \$80m, at list prices, this Ijara agreement is the first Islamic financing for flydubai.

Ghaith Al Ghaith, CEO of flydubai said: "I am delighted to announce these financing deals today. With these two agreements we have now succeeded in securing backing from some of the biggest names in aircraft financing from home and abroad."

John Willingham, CEO of Macquarie AirFinance, said: "flydubai is a great example of a start up company that has a solid and viable long term business plan. We're very excited to be part of the continued growth of Dubai and we look forward to an excellent working relationship with flydubai."

Abdulla Al Hamli, Chief Executive Officer of DIB, added: "DIB strongly believes in the significance of the aviation sector to the growth of the UAE economy. Credited with issuing the world's first airline sukuk, DIB has also supported the expansion of Dubai International Airport. This Ijara financing for flydubai is a demonstration of our commitment to Dubai's dynamic aviation sector and the economy at large."

flydubai was set up by the government of Dubai in March 2008 with a start up capital of Dh 250m. The airline began commercial operations on 1st of June, 2009 with flights to the

IBA's

Comment:

"Flydubai will hope to mirror the successes of LCC operators in India and China in gaining market share in regions previously dominated by large full-service carriers. Dubai, as a long haul hub, will also offer a wide range of "feeder" opportunities."

- David Rushe

Lebanese capital, Beirut. Since then flydubai has begun flights to a further seven destinations, Amman, Alexandria, Aleppo, Damascus, Djibouti, Doha and Khartoum. Flights to flydubai's ninth destination, Baku, begin on Friday, November 20.

The flydubai model is simple, with customers paying only for the services they want to receive. The price includes all taxes and one piece of hand baggage, weighing up to 10 kg, per passenger.

Passengers have the option to purchase checked-in baggage in advance at just Dh 40 for the first piece and Dh 100 for the second, weighing up to 32 kg, subject to availability. Checked baggage at the airport is also strictly subject to availability and passengers are advised to book online early to secure the space, as only pre-purchased baggage can be guaranteed.

A nominal payment of Dh 5 allows customers to select their seat and just Dh 50 secures the extra legroom positions. Bookings can be changed for a small fee, plus any difference in the fare, and food and drink can be purchased on board.

flydubai operates from a modernised and enhanced Terminal 2 on the north side of Dubai International Airport.

Source: mywesttexas.com - 16th November 2009

“Worth \$80m,
at list prices,
this is a
medium term
sale and
leaseback
agreement
similar to the
deal flydubai
signed earlier
in the year
with GECAS”



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IBA Aircraft for Sales

IBA has a limited mandate to sell an ATR 42-320 msn 0240. This is a 1991 model, currently on lease to Fly540 in Kenya. The lease is for 60 months from June 2007 at a rental of \$55,000 per month plus maintenance reserves. Options exist to purchase the aircraft with the existing lease in place or with no lease. If this opportunity would be of interest, please contact Owen Geach (owen.geach@ibagroup.com) or David Rushe (david.rushe@ibagroup.com) for further information.

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

Conference Dates

25th November 2009 - Risk Management and Practical Solutions, London - Phil Seymour & Owen Geach will be presenting and chairing

19th - 21st January 2010 - 12th Annual European Airfinance Conference, Dublin - Phil Seymour & Owen Geach will be speaking

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

Phil Seymour's Notes on the Week

I am a little late picking up the "Berlin Wall" story but of course that wretched mark of separation of East and West Berlin recently celebrated 20 years since its downfall. There was a certain irony because the band, U2, held a concert at Brandenburg Gate but the organizers had to erect a two metre high fence to prevent excess crowds from entering the event as it was oversubscribed - the headline was "U2 forced to raise wall in Berlin". But I pick up on the Berlin theme today as the front page of the London edition of the FT has an interesting story about "Emirates forced to raise fares by Berlin". Protectionism is creeping back into aviation but "Lufthansa said it has nothing to do with Berlin's move"

A political "hot potato" that will make us look at the aviation freedom rights in more detail. Meanwhile, an important European Champions League game takes place at the Emirates stadium next Tuesday with Arsenal facing Standard Liege so I hope my headline next week can be "Emirates crowd watches "Wall"cott raise game to conquer Europe". If I have to explain Wallcott then the irony is lost. Remember, only 30 shopping days until Christmas.....

Phil Seymour,

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Compiled & Edited by Alice Gondry

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