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## Boeing issues aviation forecast

Boeing released its forecast on the economic growth and aviation market in the world over the next 20 years at a press conference in Ha Noi on Wednesday and it emphasised the estimated dramatic growth of air travel in Asia-Pacific and Southeast Asia, including Viet Nam.

Southeast Asia's airlines would require more than 2,100 new planes valued at approximately US\$330 billion. Globally, airlines would need 29,000 new planes through 2028, valued at \$3.2 trillion, Boeing forecast.

Boeing Commercial Airplanes Vice President of Marketing Randy Tinseth also stressed Viet Nam was an important market. "Viet Nam is a country where we see a fast growing economy and it is also a country where we see air travel growing even at a difficult time." He added: "The Vietnamese economy has gone against the global trend."

The country's economy is anticipated to grow 5 per cent this year and just over 7 per cent next year before settling into a long-term annual growth trend of 6.7 per cent.

"In Viet Nam, air service growth since the year 2000 has been substantial. Compared to 2000, there are four times as many seats in the market and nearly 3.5 times as many frequencies," he said.

Viet Nam has a strong base in travel and tourism, contributing about 13 per cent of its GDP (gross domestic product), while the proportion in other nations is around 8 per cent, according to Tinseth.

In Southeast Asia, air traffic growth will outpace economic growth. Air travel growth over the next 20 years is expected to be above 6.5 per cent, while the region's economy is projected to grow at 4.6 per cent, according to Boeing.

Looking at the Asia-Pacific region in its entirety, long-term air annual air traffic growth is projected to be 6.9 per cent over the next 20 years. Travel volumes in Asia-Pacific overall are large and growing rapidly.

"Asia-Pacific will account for 41 per cent of air travel in 20 years' time, up from around 32 per cent today"

As of the third quarter of 2009, Boeing had a backlog of 3,400 jets, valued at \$254 billion.

"Over the next 20 years, we see a tremendous demand to connect economies, countries and most importantly people. It is not an exaggeration to say that our airline customers play the central role in bringing the world together," Tinseth said.

Source: VNS, vietnamnews.vnagency.com.vn - 26th November 2009

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## US Airways defers delivery of 54 aircraft

US Airways will delay delivery of 54 new Airbus jets until at least 2013 and take other steps to boost its cash reserves until travel demand rebounds.

The airline said Tuesday that putting off the deliveries will cut aircraft spending by \$2.5 billion over the next three years.

The company said a new \$95 million loan plus other financial moves will boost its available cash by about \$150 million this year and \$450 million by the end of 2010, CEO Doug Parker said in a message to employees.

In recent months, some analysts had speculated that US Airways could face a financial crisis as it burned through cash this winter, a slower period for travel.

Last month, the company announced it will cut 1,000 jobs, drop several international routes, and concentrate nearly all U.S. flying at three hub airports and Washington.

It still plans to add 28 new planes in the next three years, which it called a more manageable pace during an airline industry slump.

It has financing in place for those 28 planes, including \$180 million in loans for four planes coming next year. The airline also said it would push back the launch of its Airbus 350 XWB service from 2015 to 2017.

"Simply put, people are not willing to pay as much to fly as they were during more robust economic times," the company wrote to employees. It also said loans for the new planes were expensive and harder to get.

"It (US Airways) still plans to add 28 new planes in the next three years, which it called a more manageable pace during an airline industry slump"

US Airways, based in Tempe, Arizona, was scheduled to add 72 Airbus A320-series jets and 10 A330 aircraft over the next three years to replace older jets.

Now it plans to take four next year and 12 in each of the following two years. The A320-series jets are domestic workhorses with 124 to 183 seats.

The A330 model coming next year has 258 seats, and US Airways uses it for international routes. Another 22 A330s and A350s scheduled for delivery beginning in 2015 were also delayed until 2017 through 2019. Airbus spokeswoman Mary Anne Greczyn said the US Airways deferral was already built into the company's 2010 production and delivery planning.

US Airways spokesman Morgan Durrant declined to say whether the company would be hit with penalties for delaying the deliveries.

The airline will keep its overall flying level about the same, as it keeps operating its current planes one or two years longer than planned rather than replacing them with new ones.

Airline traffic has been weak this year, and several major U.S. carriers have raised cash to get through the slow fall and winter seasons.

The cash situation has been especially acute at US Airways. During the third quarter its cash fell below \$1.5 billion, the minimum level in its agreement with Barclays, which issues the US Airways-branded credit card. Barclays lowered the limit to \$1.35 billion through October.

And on Tuesday, US Airways said Barclays had lowered the limit permanently, though it did not say how much. The company also said that Barclays will delay repayment of a \$200 million advance for 14 months. Barclays advanced the money when it bought frequent-flier miles from the carrier.

US Airways lost \$125 million in the first nine months of this year on lower revenue, after losing \$2.1 billion last year.

"The past two years have been exceptionally difficult for our industry and US Airways," Parker told employees.

He said the company was fortunate to have partners willing to help, but "we cannot continue to lose money indefinitely and fund our losses through financing and partner support."

"The airline will keep its overall flying level about the same, as it keeps operating its current planes one or two years longer than planned rather than replacing them with new ones"

CreditSights analyst Roger King marvelled at the ability of US Airways management to raise money. "Everything is going against them," he said, "and they're still flying."

Source: Sapa-AP, busrep.co.za - 25th November 2009

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## KLM flies first passenger flight with biofuel

An airliner using a 50 percent biofuel mix in one engine has successfully completed a demonstration flight in the Netherlands.

Air France-KLM says it was the first flight using biofuel to carry passengers. Forty people flew on the 90-minute trip Monday, including the Dutch economic affairs minister.

The plane, a Boeing 747, had a 50-50 mix of biofuel and regular jet fuel in one of its four engines. The biofuel was manufactured from the camelina plant, sourced from a biotechnology company based in Seattle in the United States. A spokesperson said the footprint of transporting the fuel from the United States was compensated.

"This is technically feasible. We have demonstrated that it is possible," KLM chief executive officer Peter Hartman said after the flight, which took off and landed at Schiphol airport near Amsterdam. "Government, industry and society at large must now join forces to ensure that we quickly gain access to a continuous supply of biofuel."

The test flight was also the first of any kind in Europe powered partly by sustainable biofuel, according to KLM. Virgin, Air New Zealand, Air Japan and Continental Airlines have previously completed similar demonstration flights with a biofuel mix of jatropha or algae.

AP, nrc.nl - 24<sup>th</sup> November 2009

"Forty people flew on the 90-minute trip Monday....The plane, a Boeing 747, had a 50-50 mix of biofuel and regular jet fuel in one of its four engines"

## BA may revive Qantas tie-up plans: report

British Airways could revive plans for a tie-up with Qantas Airways, using its merger with Spain's Iberia Lineas Aereas de Espana SA as a template, Chief Executive Officer Willie Walsh told the Financial Times.

The Iberia model would allow Qantas to retain a separate brand and home base, Walsh said, according to the report. There are no plans to pursue a tie-up at present, and the "quite negative" political reaction in Australia to a proposed deal last year would be a "major hurdle," he added.

British Airways has agreed to combine with Iberia to boost its network amid a slump in international travel that contributed to a record first-half loss. The carrier abandoned merger talks with Qantas last year after the airlines failed to agree on who would control the new company.

"If I were Qantas, I wouldn't consider giving up control of my future to British Airways," said Jim Eckes, managing director of Hong Kong-based Indoswiss Aviation. "The financial condition of Qantas is much better than that of British Airways, which is in a sad shape and getting worse each month."

A Qantas spokeswoman declined to comment until the company had seen the Financial Times article.

At the time of the scuppered deal between the two airlines, British Airways, Europe's third-largest airline, said that talks had stumbled over "key terms." The relative values of the airlines - Qantas has a higher market value while British Airways' revenue is about a third more than Qantas' - also proved a stumbling block.

The carriers have continued to cooperate on flights between Australia and the UK and as members of the Oneworld alliance.

Airlines need more cross-border consolidation to cure a "sick" industry struggling to reverse losses, the International Air Transport Association said on Nov. 16.

Qantas Chief Executive Officer Alan Joyce, who has been in the top post at the Australian airline for almost a year, has committed to spending more on technology and reducing fuel usage to make the carrier more competitive.

"The merger will not be completed until late 2010 and can be called off by Iberia if BA fails to resolve pension-deficit issues"

The airline is targeting capital spending of \$1.7 billion in the 2010 financial year and \$2.7 billion in the following year, according to a statement today. It intends to buy 43 planes in the two years, it added.

BA and Iberia agreed on a \$US7 billion merger earlier this month, ending more than a year of talks. Under the all-share deal, British Airways investors will own about 55 percent of the business, to be led by Walsh. The merger will not be completed until late 2010 and can be called off by Iberia if BA fails to resolve pension-deficit issues.

British Airways said Nov. 6 that its main pension plan had a deficit of about 2.66 billion pounds up from 1.17 billion pounds in March.said.

Source: smh.com.au - 23<sup>rd</sup> November 2009

“The carrier abandoned merger talks with Qantas last year after the airlines failed to agree on who would control the new company”

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## Gulf air to cut staff, may sell planes

Bahrain's national carrier Gulf Air will cut staff and may sell aircraft surplus to needs as it restructures to compete in the Gulf region's increasingly cutthroat aviation market, the company's chief executive said Monday.

The airline, which is fully owned by the Bahraini sovereign wealth fund Mumtalakat, said it aims to become a sustainable business by 2012 and that its strategic review of operations could save the Bahraini government \$2.65 billion in 5 years.

"If we continued as we are without doing anything, we are projected to lose BHD1 billion (\$377 million) over the next five years," Samer Majali told reporters. "We have a serious revenue problem because we operate from a small base with high costs."

The carrier in August said it was carrying out its first business review since becoming the country's flagship airline. At the time it said it planned to "commercialize" its operations to compete with other Gulf carriers such as Emirates Airline and Etihad Airways.

"We had two choices for Gulf Air - either close it down or turn it around," said chairman Talal al-Zain. "There was no third option. The status quo couldn't continue. We decided to turn it around."

Gulf Air, one of the Middle East's oldest carriers, has been struggling to turn its business around since 2002 in response to a drastic fall in profit at the company and rising debt.

In 2007, the carrier was reportedly losing more than \$1 million a day. As part of its latest review Gulf Air said it will realign its network and suspend 15 routes. The carrier's fleet will also consist mainly of narrow-body craft.

Gulf Air recently signed a deal with Boeing worth nearly \$6 billion to purchase up to 24 Boeing 787 aircraft, and a deal with Airbus for 35 aircraft, including A320s and A330s.

Earlier this year, the International Air Transport Association said Middle East carriers are expected to post total losses of \$500 million this year due to weakening European and Asian markets.

Source: [business.maktoob.com](http://business.maktoob.com) - 23rd<sup>th</sup> November 2009

"As part of its latest review Gulf Air said it will realign its network and suspend 15 routes. The carrier's fleet will also consist mainly of narrow-body craft"

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## Boeing sees opportunity in Thai Airways plan

Boeing Commercial Airplanes marketing vice president Randy Tinseth said during discussions with THAI recently, the airline showed interest in acquiring Boeing 777 cargo aircraft.

The Boeing 777 cargo version is considered the most cost-efficient. Air France already uses it, said Tinseth, who was attending a seminar in Bangkok yesterday.

He said Boeing foresaw long-term growth for the aviation industry in Southeast Asia and forecast a turnaround for Thailand's economy next year.

"We have already reached the bottom of the economic recession, and we expect 2010 to be the year of economic recovery and 2011 for the airline industry," Tinseth said, adding that demand for new aircraft should begin in 2012.

During the inauguration of two new Airbuses yesterday (November 24), THAI president Piyasvasti Amranand also

expected the airline's load factor to average 75 per cent in the fourth quarter, thanks to the strengthening economic recovery and more stable oil prices. People's appetite for travel should begin to recover if the political situation remains calm, he said.

Early next year, THAI will receive five more Airbus A330s, which will increase the airline's A330 fleet to eight. It now has 90 aircraft: 47 Boeing, 42 Airbus and one ATR aircraft.

Piyasvasti stressed THAI saw no need to open new routes next year, because its business strategy would focus on increasing flight frequencies on busy routes, such as to Singapore.

Tinseth forecast airlines around the world would need 29,000 new aircraft worth US\$3.2 trillion through 2028. Older, less-efficient aircraft will be replaced with efficient, newer-generation models. Boeing's order backlog as of the third quarter was for 3,400 aircraft worth a combined \$254 billion.

Air-traffic growth in Southeast Asia is expected to outpace economic growth, he said. Passenger growth over the next 20 years is expected to be above 6.5 per cent, while the region's economy is projected to grow at 4.6 per cent.

In the Asia-Pacific, long-term annual air-traffic growth is projected to be 6.9 per cent over the next two decades, Tinseth said. Overall air-travel volume in the Asia-Pacific is growing rapidly and forecast to account for 41 per cent of all modes of transport in 20 years, up from 32 per cent now.

Thailand's gross domestic product (GDP) is expected to contract 3 per cent this year and grow 5 per cent next year before settling into a long-term trend of 4.5 per cent annual growth.

The contribution of travel and tourism to Thailand's GDP is expected to rise from 14.7 per cent this year to 15.6 per cent by 2019. "In the long term, airlines will continue to invest in more efficient, environmentally friendly aircraft that also serve the needs of passengers," Tinseth said.

Boeing's manufacturing strategy is to deliver the right size of aircraft with the right capacity at the right time, Tinseth said.

But he admitted the company's superjumbo Boeing 787-8 would not be in service until late next year, behind the Airbus A380, which is already being operated by a number of airlines. Airport.

Source: Sasithorn Ongdee, news.asiaone.com - 25<sup>th</sup> November 2009

"He (Randy Tinseth) said Boeing foresaw long-term growth for the aviation industry in Southeast Asia and forecasted a turnaround for Thailand's economy next year"



## 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 Sale

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](mailto:owen.geach@ibagroup.com)) or David Rushe ([david.rushe@ibagroup.com](mailto: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](mailto:mark.wooller@ibagroup.com) or call: +44 (0)1293 772743

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Please contact David Rushe for further information - [davidarushe@ibagroup.com](mailto:davidarushe@ibagroup.com)

### Conference Dates

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

## 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

## Phil Seymour's Notes on the Week

Phil Seymour, About two years ago I had returned from a visit to the Dubai Airshow with a huge order book for feasibility studies, business plan development and general consulting projects. I was so busy I had to take a short break to recharge my batteries and I visited Turnberry - one of Scotland's most iconic golf resorts. The talk at the time at Turnberry was the work going on to hold the British Open there in 2009. It was of course a great event of our British Summer with Tom Watson almost turning the clock back a couple of decades to win the event. Alas, Tom ran out of steam at the last hole and you could see he was physically and mentally drained. Almost as if he was walking on shifting and sinking sands. Turnberry is now owned by Nakheel, the troubled Dubai World subsidiary who amongst other things built "The Palm". This weeks news that they will not be paying the scheduled loan repayments will probably have significant knock on effects in the financial world and I suspect this will inevitably cause concern for the aviation sector. So, do I go to Turnberry or Dubai to pay golf in an effort to support Nakheel? I will visit a palm reader to help make my decision.

Phil Seymour

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## Highlights

- Oil prices, equities retreat
- Volatile US dollar
- Mixed economic signals
- Cool weather

## Helpful Links

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**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**

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## Executive Summary

Oil prices remain “high and volatile” this week as traders monitor economic indicators, the stock markets, the value of the US dollar and the state of inventories. Autumn weather and the Iranian situation are secondary considerations at this point. At time of this report, benchmark WTI crude oil is trading at \$76.65/bbl after being as high as \$80.33/bbl early in the week.

## Macroeconomic Factors

- ▶ The President of the Richmond Federal Reserve said that the US economic recovery is “solidly underway”, inflation is tame at 1.5% annually but that unemployment is worrisome.
- ▶ The relative value of the US dollar continues to be very volatile and headline-driven. Today, €1 = \$1.4835 – a bit lower than yesterday. Gold prices touched a new record high price this week at \$1,153 per ounce.

## Fundamental Factors

- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) showed flat-to-lower product and crude oil inventories. Refinery use fell .5% to 79.4% of operable capacity – the lowest level in over a year due to poor demand and refining margins.

## Geopolitical Factors

- ▶ The UN Security Council (plus Germany) expressed disappointment that Iran has not responded positively to an IAEA offer related to the provision of nuclear fuel for its Tehran research reactor. The diplomatic brinkmanship being played by Iran could result in the imposition of additional trade and diplomatic sanctions on the oil-exporting nation.

## Weather Factors

- ▶ The National Weather Service is predicting below-normal temperatures for the eastern US for the next 8-14 days.

