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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

787 set to fly Tuesday

Two years late and after five major delays, the Boeing Co.'s 787 Dreamliner is tentatively set to make its first flight Tuesday, the company said late Thursday.

Boeing's mostly composite Dreamliner could take to the sky as soon as 10 a.m. Tuesday from Everett's Paine Field. The jet will undergo taxi testing there in the coming days. The first flight date and time depend on weather conditions. Boeing is still awaiting approval from the U.S. Federal Aviation Administration.

Earlier Thursday, the company said its Dreamliner had successfully cleared several tests required before the first flight.

"We are pleased with the pace of progress in preparing to enter our flight test program," said Scott Fancher, Boeing's vice president of the 787 program.

In June, Boeing executives assured customers at the Paris Air Show that their 787 would fly that month. Days later, the company announced that it had found a structural flaw in the 787's side, causing an additional delay.

Boeing engineers devised a fix for the 787s already built and machinists finished installing the modification on the first Dreamliner on Nov. 12. The company wrapped up static tests on the 787 on Nov. 30. During the tests, the wing and trailing edges of the airframe were subjected to the highest loads expected to be seen in service. On Thursday, Boeing said the static test results prove its Dreamliner is fit to fly.

Boeing also put the 787 through two days of rigorous tests meant to simulate the conditions the Dreamliner will experience in flight. Those tests were successful, Boeing said.

"We are very pleased with the results of this final functional testing," Fancher said. "With the successful completion of static testing and this functional testing, our focus now moves to the first flight."

First flight signals the beginning of Boeing's flight test program, during which the company will demonstrate to the FAA that its 787 lives up to flight and safety standards.

To meet its Tuesday first flight goal, the 787 will need some help from Mother Nature in the Puget Sound region.

In order to clear the 787 for its first flight, there will need to be good visibility, no standing water on the runway and gentle to no wind, said Yvonne Leach, spokeswoman for the 787 program.

The Dreamliner will take off from Everett's Paine Field and land at Boeing Field in Seattle.

Boeing plans to deliver the first of its fuel-efficient 787s in the fourth quarter of 2010, more than two years behind schedule. There are 840 Dreamliner jets on order.

Source: Michelle Dunlop, heraldnet.com - 11th December 2009

Aviation industry presents voluntary emissions cut plan

The world aviation industry on Wednesday announced a long-term goal to cut carbon dioxide emissions to half the 2005 levels by 2050, becoming the first industry to articulate a reduction goal at the Copenhagen climate change conference.

The agreement, reached between 230 airlines in the International Air Transport Association (IATA), aircraft manufacturers, air traffic control providers and airports, sets a series of targets for the industry:

- * Improve fuel efficiency on average by 1.5 percent per year until 2020;
- * Stabilize emissions with carbon-neutral growth from 2020;
- * Cut emissions in half by 2050, compared to 2005 levels.

Under this plan, net carbon dioxide emissions from aviation would peak between now and 2020 and would stabilize and then decline after that, despite increases in traffic growth.

However, final decisions on how to achieve the ambitious goal will be made in September 2010.

"Improve fuel efficiency on average by 1.5 percent per year until 2020"

"We're the only industry coming to Copenhagen with a clear and ambitious reduction goal," said Giovanni Bisignani, director general and CEO of IATA.

The proposal would increase airfares and could prompt a race for green technologies among aircraft makers, which are pinning high hopes on new technologies for reducing emissions. The development of sustainable alternative jet fuels, such as those generated from algae, could help reduce emissions by 80 percent, said Bisignani. Other technologies, such as improving aircraft efficiency with lightweight materials and new engine designs, could all result in further cuts.

In addition, the industry will need to engage in economic measures to create successful incentives for airlines to reduce emissions, such as emission trading. "Airlines must be fully accountable for their emissions as an industrial sector, not by state or region," Bisignani said, adding free riders are not welcomed.

Aviation executives are trying to ensure that the industry is not stripped of its exemption from the Kyoto Protocol in Copenhagen. Despite the fact that the major airlines are trying to cut emissions from air travel, executives fear a failure in the international effort to agree a global deal on emissions trading, arguing that it could hurt the industry by way of increased taxes and regulation.

The last time global targets were agreed for reducing greenhouse gases was at the 1997 conference in Kyoto, but the airline industry was not included. In the years since, scientific evidence has supported growing concerns that carbon emissions caused by flying are a real problem. Airlines are responsible for 2 to 3 per cent of carbon emissions globally.

Source: Si Tingting, chinadaily.com.cn - 10th December 2009

"Airlines must be fully accountable for their emissions as an industrial sector, not by state or region"
- Giovanni Bisignani

United Airlines orders Boeing 787 and Airbus A350

United Airlines is ordering 50 new airplanes the way some people ease into a cold lake. Toes first, and very slowly.

The deal announced Tuesday has several conservative pieces.

United split its order between the Boeing 787 and the Airbus A350, and waited until the depth of a recession so it could press for better prices. No planes will be delivered until 2016, and United has extensive rights to defer the orders. Perhaps most importantly, United only has to come up with \$152 million over the next five years, putting off the day it will need to line up loans for its new planes.

At list prices the new jets would be worth more than \$10 billion, with about \$4 billion for Boeing's 787-8 and around \$6 billion for the Airbus planes. United President John Tague said the carrier got a discount, which is common for jet orders, though he did not specify how much.

"We felt that we had a significant opportunity by timing the order with the backdrop of the current economic environment," he said.

The planes will replace Boeing 747 and 767s. Deliveries are expected between 2016 and 2019.

Both of the new aircraft models are made with composites, meant to be lighter (and thus more fuel-efficient) than the usual aluminium construction. Neither plane has ever flown. Boeing hopes its 787 will make its first flight by the end of this year, while Airbus is aiming to deliver its first A350 in 2013.

Both of the planes have two aisles and would usually be used on international flights. The 787-8 seats up to 250 people, while the Airbus A350 seats 314. Both can fly more than 9,000 miles - enough to go nonstop from United's hub in Chicago to Shanghai.

"They give us access to virtually every region in the world from all of our hubs," Tague said.

United could have picked the much larger A380 or 747-8. Although it might be able to fill those massive planes during boom times, United would risk having many empty seats in a recession. Tague said the company would rather reduce its risk in future tough times, rather than "capture every last dollar of opportunity that an extremely large aircraft might create for a short period of time."

So why split the order? Both planes are made of lightweight materials, but their sizes are different and United thinks having some of each will let it match the size of the plane to demand on individual routes. That flexibility outweighed the benefits of sticking with one plane or the other, the company said.

"United only has to come up with \$152 million over the next five years, putting off the day it will need to line up loans for its new planes."

United said it has signed letters of intent for both planes. John Leahy, Airbus chief operating officer, said Airbus expects a firm order in a month or two. He said it was not surprising that United split the order, and noted that it was the first time United has ordered non-Boeing wide-body jets.

Boeing President and Chief Financial Officer James Bell told analysts on Tuesday that Boeing was pleased United bought the 787. As for splitting the order, "I guess it's better to get some than none," he said.

United has not yet worked out financing for the planes, although it said the manufacturers agreed to provide loans if needed. United has been squeezed for cash during the recession, as business travel - which it depends on more than other airlines - has dropped off. In October it raised about \$424 million in a stock and notes offering, and it has been mortgaging other assets such as spare parts.

Fitch Ratings analyst Bill Warlick, who tracks United's debt, said United is caught between needing to pay down debt versus replacing a fleet of big planes that will include some nearly 30 years old by the time the new deliveries come.

United, the third-biggest airline in the U.S., said this summer it was seeking competing proposals from Boeing and Airbus to replace the biggest jets that make up nearly half of its fleet.

United made its last jet order in 1998, and has not taken a delivery since 2002. It has been aggressively shrinking in recent years. The new jet order will not change that, because the new planes have fewer seats than the ones they are replacing. United said the new jets will average 19 percent fewer seats than the planes they replace. Overall its international fleet will have about 10 percent fewer seats once the new planes are flying, United said.

United said the new planes will be about 40 percent cheaper to operate over their lifetime for each seat mile flown.

The orders come with future rights for 50 more of each aircraft.

"United is caught between needing to pay down debt versus replacing a fleet of big planes that will include some nearly 30 years old by the time the new deliveries come."

Source: Joshua Freed, Associated Press, nctimes.com - 9th December 2009

Boeing says fewer deferring jet orders

A Boeing Co. executive said Tuesday that fewer customers are deferring jet orders, which might be a sign that things have stopped getting worse for the world's airlines.

Boeing president and chief financial officer James Bell told analysts that customers had deferred orders for 215 aircraft through September, but that few new requests have come in since then.

"The good news is we have not seen a significant number of new deferral requests since the third quarter," he said.

He said Boeing's commercial aircraft division will meet the low end of its delivery projection for 2009.

Boeing has not given 2010 financial guidance, but Bell said, "2010 will be another challenging year on both earnings and cash flow."

Bell also said lending for aircraft deliveries is thawing. At the beginning of this year, Boeing expected it would need to finance \$1 billion worth of deliveries. Now it expects to finance \$800 million.

"Clearly the vast majority of our airplane deliveries this year are being financed by other sources, and we would expect that trend to continue," he said.

Boeing is a major U.S. defence contractor, but Bell said it will look to do more defence business outside the U.S. because federal spending may shift away from defence.

Boeing will reposition the defence business "to make sure that we address the budget constraints that the U.S. government is going to face as there's more pressure on doing some of the other things that they're doing, like rescuing the finance community and the auto industry, and the pressure that's putting on government spending."

Source: Joshua Freed, kansas.com - 9th December 2009

"Clearly the vast majority of our airplane deliveries this year are being financed by other sources, and we would expect that trend to continue"
- James Bell

Japan, US open talks on liberalising air traffic

The United States and Japan on Monday opened talks on liberalising air traffic that could shape the course of a bidding war for a slice of ailing giant Japan Airlines.

Officials were tight-lipped on the talks. Japan's Nikkei business newspaper said the two countries may finalise an "open skies" deal, which in theory would permit airlines of the world's two largest economies to fly freely between each other.

The talks come as US carriers bid for a stake in Japan Airlines, which is Asia's biggest carrier but is cutting thousands of jobs and drastically cutting routes to stay afloat despite three government bailouts since 2001.

Partners led by American Airlines last week offered Japan Airlines a 1.1 billion-dollar lifeline, hoping to counter a bid by rival Delta Air Lines which is hoping the Japanese carrier switches allegiances.

The US carriers are seen as stepping up efforts for Japan Airlines and its market on lucrative Asian routes ahead of an open skies accord, which Japanese airlines argue would correct an imbalance in favour of their US counterparts that has been hurting them financially.

Under existing bilateral accords, Japanese carriers run 136 passenger flights each week between the countries - 94 by Japan Airlines and 42 by rival All Nippon Airways - while US carriers fly 296.

American Airlines' chief financial officer, Tom Horton, argued on a recent trip to Tokyo that the market share was "relatively well-balanced" when looking at alliances rather than individual airlines.

The Oneworld alliance involving Japan Airlines and American Airlines runs 35 per cent of flights, while the Sky Team which includes Delta and its subsidiary Northwest Airlines but no Japanese carrier has 31 per cent, he said.

Another 31 per cent of the flights are run by the Star Alliance, which includes All Nippon Airways, Continental Airlines and United Airlines.

Source: AFP, channelnewsasia.com - 8th December 2009

"Japanese carriers run 136 passenger flights each week between the countries - 94 by Japan Airlines and 42 by rival All Nippon Airways - while US carriers fly 296."

Air China has 80.86 percent stake in Air Macau

Air China has injected 158.7 million patacas (US\$19.8 million) in the capital of Air Macau raising its stake in the Macau airline from 51 percent to 80.86 percent, the Chinese airline said Friday.

In a statement published Friday by the Hong Kong Stock Exchange, Air China said that some of the shareholders had opted not to accompany the capital increase decided in a General Meeting held last April.

In that operation, the capital of Air Macau was initially reduced from 400 million patacas to 1 million, in order to absorb losses, and later raised to 400 million patacas via the issue of 1.99 million ordinary shares and 2 million non-voting shares at a unit price of 100 patacas.

Once the operation was concluded, Air Macau's shareholders were made up of China National Aviation Company-Macau (80.86 percent), SEAP - Serviços, Administração e Participações (0.01 percent), Sociedade de Turismo e Diversões de Macau (14 percent), Evergreen Airways (0.25 percent) and the remaining 0.0125 percent in the hands of "other shareholders."

The big changes to the shareholder structure took place with SEAP, a partnership between TAP - Air Portugal and Banco Nacional Ultramarino, which fell from 20 percent to 0.1 percent, Taiwan's Evergreen whose stake fell from 5 percent to 0.025 percent and the "other shareholders," from 5 percent to 0.0125 percent.

The Air China statement, to which news agency MacauNews had access, said that before the operation the company had acquired shares representing 1.25 percent of the capital from small shareholders, increasing its stake in the company to 52.25 percent.

Air Macau, which started operating in November 1995, posted a loss of 416 million patacas in 2008.

Source: macauhub.com - 7th December 2009

"Japanese carriers run 136 passenger flights each week between the countries - 94 by Japan Airlines and 42 by rival All Nippon Airways"



IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, 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) 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

Conference Dates

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

23rd - 26th March 2010 - The 24th Annual Commercial Aviation Geneva Forum, Geneva - Owen Geach will be speaking and hosting several panels

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

Well this week has seen some activity that will no doubt impact us aviators - the Copenhagen summit on climate change. It follows reports that the UK think tank on climate change may not have been keen to report factual information that did not show that the climate change was progressing as rapidly as feared. Whichever way we look at it aviation will need to tighten its belt and one of the action items from Copenhagen will see us under the microscope again.

Moving on to less serious matters I must say a public "Thank you" to Brendan Lodge who organised an evening at an Indian restaurant in Farnham, Surrey just over two weeks ago. The group chosen was broadly based upon the geographical location of the counties of Surrey and Hampshire and focused upon the corporate aviation sector.

Naming the group was a problem - Surrey and Hampshire Aviation Group was the preferred option and the next meeting will allow Wives And Girlfriends to be invited so we are now looking forward to the first "SHAGWAG" event.

Phil

Phil.seymour@ibagroup.com

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Compiled & Edited by Alice Gondry

www.ibagroup.com

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

Highlights

- Unemployment rate falls
- Dollar volatile, gold up
- Iranian tensions
- Cool weather

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

Contact Us

Jonathan Leak
JLeak@wfscorp.com
(770) 599-3162

Executive Summary

Oil prices remained high and range-bound this week with traders keeping an eye on inventories, the US dollar, equity prices and economic indicators. Iranian tensions and winter weather are also being closely monitored. At time of this report, benchmark WTI crude oil (prompt futures) is trading at \$75.76/bbl.

Macroeconomic Factors

- ▶ Today, the US Labor Department released a better-than-expected jobs report with the unemployment rate dropping to 10.0% from 10.2%. The report is the latest economic metric to support the case for gradual economic recovery in 2010.
- ▶ The relative value of the US dollar continues to be very volatile and headline-driven. Today, €1 = \$1.5092 while gold prices rallied to a new record high this week – over \$1,227 per ounce (February futures).

Fundamental Factors

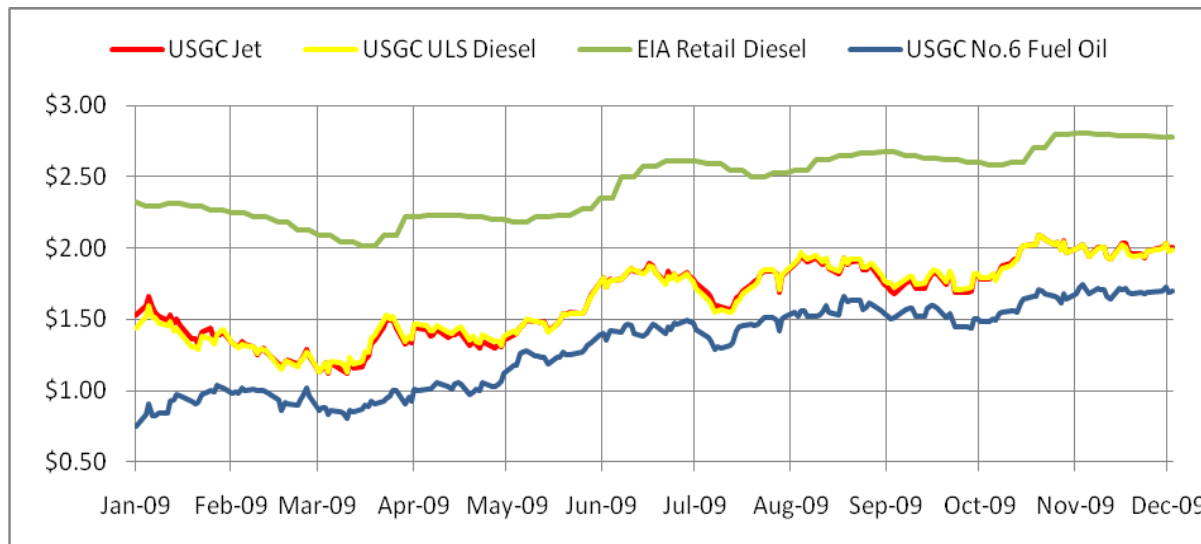
- ▶ The weekly oil inventory report from the US Energy Information Administration (EIA) showed rising crude and gasoline inventories but falling distillate stockpiles. Refinery use fell .6% to 79.7% of operable capacity.
- ▶ OPEC downplayed the likelihood of an output quote anytime soon as prices are close to the targets that they have set forth.
- ▶ Goldman Sachs issued a report to investors predicting that crude oil prices will average \$90/bbl in 2010 and \$110/bbl in 2011.

Geopolitical Factors

- ▶ Iran raised the stakes in it's standoff with Western nations over its nuclear development programs by declaring its intent to build 10 more nuclear facilities and increase its level of uranium enrichment. The IAEA censured Iran for its lack of transparency and development of a secret nuclear plant.

Weather Factors

- ▶ The National Weather Service is predicting near-normal temperatures for the eastern US, including the northeastern home heating oil market, for the next 8-14 days. The 2009 Atlantic hurricane season officially ended on Monday.





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Why not set up a free trial to experience the system's cutting edge functionality for yourself? Simply contact Ross Elliott on ross.elliott@ibagroup.com or +44 (0) 1293 772743 for more information.

International Bureau of Aviation
Meadowcroft House
180 Balcombe Road, Horley
Surrey, RH6 9AE

www.ibagroup.com
+44 (0)1293 772743

