

In this Issue:

- Ryanair says it will not buy 200 Boeing aircraft
- Australia loosens Qantas foreign ownership limits
- IATA sees airline losses to continue until next year
- Why so competitive? Newspaper smells a rat in Vietnam's aviation sector
- Emirates' Airbus buy to eat up Al biz
- IBA Group News
- IBA's online valuation system

Ryanair says it will not buy 200 Boeing aircraft

Budget carrier Ryanair Holdings PLC announced Friday it has broken off negotiations with Boeing Co. to buy 200 more 737-800 short-haul aircraft after being unable to extract concessions from the manufacturer.

Ryanair chief executive Michael O'Leary said Ryanair had reached a pricing agreement for the aircraft - to be delivered from 2013 to 2016 - but Boeing was "unwilling to incorporate some other terms and conditions from our existing agreement into this new aircraft order."

O'Leary declined to specify what the points of disagreement were. He said Ryanair was willing to reopen negotiations next year, but stressed that Ryanair - Europe's fastest growing and most profitable airline - would do a deal only if Boeing conceded to its demands.

"Instead we will focus our efforts on maintaining Ryanair's strong traffic and new route growth into 2010," O'Leary said. "We look forward to briefing shareholders in the first quarter of the New Year with a revised strategy which will comprise much reduced capital expenditures through 2011 and 2012."

Ryanair said it still plans to take delivery of 112 737-800s over the next three years.

Ryanair is one of Boeing's biggest customers and typically negotiates years in advance for large orders of aircraft - purchased at heavily discounted bulk prices.

The Chicago-based aircraft manufacturer said it was disappointed that Ryanair decided not to expand its fleet. It also kept the door open for resumed negotiations in 2010.

"We worked to find a solution that met Ryanair's needs and also made good business sense for Boeing," the statement said. "Ryanair remains a highly valued customer, today operating a fleet of over 200 737s, and we look forward to working with Ryanair on future fleet requirements."

Source: Jennifer Quinn, boston.com - 18th December 2009

Australia loosens Qantas foreign ownership limits

Australia will loosen some long-standing foreign investment restrictions on Qantas to help the national airline known affectionately as the Flying Kangaroo to deal with the global downturn.

But the government will keep a 49 percent cap on total foreign ownership of Qantas Airways Ltd. to ensure the company stays in Australian hands, Transport Minister Anthony Albanese announced Wednesday.

While the primary restriction will remain, rules that limit foreign individuals from owning more than 25 percent of Qantas, and foreign airlines from owning more than 35 percent of the carrier, would be scrapped, he said.

"This will increase Qantas' ability to compete for capital and to take opportunities to form strategic partnerships in an increasingly globalized industry," Albanese said in a speech to launch a wide-ranging policy paper on aviation.

The ownership limits have been in place since the government privatized the airline in the mid-1990s, and were imposed in response to widespread public opposition to the idea that planes bearing the famous kangaroo logo could be controlled by a foreigner.

Qantas CEO Alan Joyce said the decision would help the airline cope with the uncertainty swirling in the global airline industry, which has been hard hit by the global economic downturn.

"This change will increase Qantas' flexibility as it meets the challenges of an uncertain global economy and business environment, opening up opportunities for strategic growth and alliances," Joyce said in a statement.

Airlines globally have been hard hit by the financial crisis as passenger numbers - especially lucrative business class flyers - have plummeted, and fuel and other costs have risen.

Many have pared services, cut costs and tried to raise cash to ride out the storm. Some, such as Delta and Northwest in the

"Qantas has ambitious goals for fleet, product and infrastructure renewal - and access to capital will be vital to achieving those objectives."
- Alan Joyce

United States, have joined forces to survive.

The Australian policy paper noted an "increasing trend" toward consolidation and equity alliances among international airlines - something that would be easier for Qantas after the changes to the foreign restrictions.

Qantas held talks with British Airways Plc last year, though the companies failed to come to terms, and Qantas has reportedly also held discussions with Singapore Airlines and Malaysian Airlines.

A multibillion dollar board backed private equity bid to take over Qantas failed in 2007.

"Airlines need policy certainty and financial freedom of movement in order to implement long-term growth plans," Joyce said. "Qantas has ambitious goals for fleet, product and infrastructure renewal - and access to capital will be vital to achieving those objectives."

Qantas shares finished marginally higher at Australian dollars 2.68.

Other aspects of the policy announced Wednesday included:

Foreign ownership of domestic airlines in Australia will be allowed, if the government decides it is in the national interest.

No plans to allow more competition on the lucrative route from Australia to the United States, something long sought by Singapore Airlines and other carriers.

Dropping plans to build a second major airport for Sydney, Australia's largest city where the international airport has been overstretched for years, at an earmarked site. A new site will now be sought.

Loosening some security restrictions, such as allowing knitting needles and fingernail clippers on board, bringing Australia into line with the United States and other nations.

Source: Rohan Sullivan, etaiwannews.com - 16th December 2009

IATA sees airline losses to continue until next year

Low yields and rising costs will keep the aviation industry in the red next year, the International Air Transport Association (IATA) declared after revising its 2010 financial outlook from a US\$3.8 billion global net loss to US\$5.6 billion.

For 2009, the industry will bleed US\$11 billion, confirmed IATA Director General and CEO Giovanni Bisignani. "We are ending a horrible year that closes a horrible decade. Between 2000 and 2009, airlines lost US\$49.1 billion, an average of US\$5.0 billion per year."

"The worst is likely behind us," he explained. "For 2010, some key statistics are moving in the right direction. Demand will likely continue to improve and airlines are expected to drive down non-fuel unit costs by 1.3%, but airlines will remain firmly in the red."

However, IATA predicts Industry revenues will rise by US\$22 billion (4.9%) to US\$478 billion in 2010, compared to 2009.

Nevertheless, revenues remain US\$57 billion (-11%) below the peak of US\$535 billion in 2008 and US\$30 billion below 2007, when passenger traffic was at similar levels to what is expected in 2010.

Following a decline of 4.1% in 2009, passenger traffic is likewise expected to grow by 4.5% in 2010, stronger than the previously forecast 3.2% in September. A total of 2.28 billion people are expected to fly in 2010, bringing total passenger numbers back in line with the peak recorded in 2007.

On the other hand, cargo demand will grow by 7% to 37.7 million tonnes in 2010, stronger than the previously forecast 5% in September, following a 13% decline in 2009. Total freight volumes will remain 10% below the 41.8 million tonne peak recorded in 2007.

Cargo demand is rising faster than world trade as depleted inventories are rebuilt. Once the inventory cycle completes, growth is expected to fall back in line with world trade.

In 2009, passenger and cargo yields plummeted by 12% and 15% respectively. Cargo yields are expected to improve by 0.9% in 2010 although passenger yields are not expected to improve

"Between 2000 and 2009, airlines lost US\$49.1 billion, an average of US\$5.0 billion per year."
- Giovanni Bisignani

from their extraordinary low level due to excess capacity in the market and reduced corporate travel budgets.

Capacity adjustments in 2009 were made at the expense of lower aircraft utilization, down 6%. An additional 1300 aircraft due for delivery in 2010 will contribute to 2.8% global capacity growth, putting continuing pressure on yields. On top of this, corporate travel buyers have adjusted their budgets to reflect lower premium fare levels.

With regards to fuel cost, an average oil price of US\$75.0 per barrel (Brent) is expected in 2010, up considerably from the US\$61.8 average expected for 2009. As a percentage of operating costs, fuel will be 26% in 2010. This is considerably lower than the 32% of operating costs that fuel comprised in 2008, but twice the 13% of operating costs that fuel represented in 2001-2002.

Source: mb.com.ph - 16th December 2009

“Cargo demand is rising faster than world trade as depleted inventories are rebuilt.”

Why so competitive? Newspaper smells a rat in Vietnam’s aviation sector

Four airlines are flying in Vietnam’s domestic market: the national air flag carrier Vietnam Airlines; Vasco, its air charter subsidiary; Jetstar Pacific Airlines, a joint venture with Australia’s Qantas; and newly launched private carrier Indochina Airlines. Two other private ventures have licences but have yet to fly: Vietjet Air, which expects to launch first flight in May 2010 and Mekong Air.

Jetstar Pacific, the former Pacific Airlines now reborn as a budget carrier, is the upstart. With a lot of fanfare, JP launched advertisement campaigns, opened new routes (and just as quickly abandoned some), launched in-land services, and offered cheap airfares. The air carrier in late 2008 reported that it was losing two million dollars a month, and had accumulated losses of 50 million dollar by August 2008.

Indochina Airlines’ debts to service providers had reached 30 billion dong by the end of November 2009. This has forced the air carrier to give back its only chartered aircraft to the foreign lessor and halt flights.

The General Director of Vietnam Airlines, Pham Ngoc Minh, said at an airlines' meeting in late 2008 that in current [competitive] conditions, the nation's airlines will collectively lose several hundred billion dong more by the end of the year.

It is clear that it is not easy to do business in Vietnam's aviation sector, concludes Lao Dong. So, why is Jetstar Pacific still offering cheap fares and promising to beat any competitors' price? Why do many investors still queue to establish new airlines?

Vietnam's internal aviation market will serve nine or ten million passengers this year. In the first nine months of 2009, Vietnam Airlines had 70 percent of the total carriage; the rest were divided among Vasco, Jetstar Pacific and Indochina Airlines. The pieces of the cake will be even smaller when Vietjet Air and Mekong Air join the market in 2010.

Vietnam Airlines is still 'eldest brother' in the aviation family. It has big financial capability and a multi-functional business, is a member of ICAO (International Civil Aviation Organisation) and IATA (International Air Transport Association) and it will join the 'Skyteam' alliance in mid-2010. Vietnam Airlines gets support from the State when necessary.

However, it seems that Jetstar Pacific Airlines is also a 'big guy' in the aviation market. Though flying with just a handful of aircraft and serving about one million passengers annually, JP has exceeded the eldest brother Vietnam Airline in some respects. First of all, shareholders of Jetstar Pacific are heavyweights: the State Capital Investment Corporation (SCIC), which is even a 'bigger guy' than Vietnam Airlines, owns 70 percent, and Qantas, an Australian carrier ten times Vietnam Airlines' size, owns the rest. Only Jetstar Pacific can afford to sell tickets at such surprisingly low prices.

It seems, comments Lao Dong, that Jetstar Pacific aims to popularize its brand throughout Asia and collect passengers from every corner of Vietnam for Qantas, not to make a profit. That explains why the JP managers are not paid according to the budget airline's business performance of Qantas.

Lao Dong then ponders the question why so many investors are still interested in establishing more airlines despite the limited scope of the Vietnamese market.

Vietnam's requirements on the establishment of new airlines

"Airlines will be granted operating licenses to provide domestic flights if they have 200 billion dong in capital and licenses to provide international flights as well if they have 500 billion dong and meet some other requirements on management capability."

are easy. Airlines will be granted operating licenses to provide domestic flights if they have 200 billion dong in capital and licenses to provide international flights as well if they have 500 billion dong and meet some other requirements on management capability.

It is clear that the small Vietnamese airlines are not thinking of reaching out to the world market at this moment. Indeed, very few air carriers in the world have the right to serve domestic markets in other countries.

Lao Dong thinks there is only one answer to the question. Decree No 76 (05-2007) allows foreign investors to hold up to a 49 percent stake in Vietnamese airlines. That is really an attractive proposition for foreign airlines that need to expand markets. The air carriers are ready to make heavy investment in other air carriers that can help gather passengers from every corner for them.

That explains why Pacific Airlines, though 300 billion dong in debt in 2004, was still valued at \$150 million dollars when it sold a minority stake to Qantas.

In other words, concludes Lao Dong, Vietnamese airlines know that although it is really difficult to exist in the current business environment, if they have difficulty turning a profit, they can still do well - by selling a stake to foreign airlines.

Source: english.vietnamnet.vn - 15th December 2009

“Vietnamese airlines know that although it is really difficult to exist in the current business environment, if they have difficulty turning a profit, they can still do well - by selling a stake to foreign airlines.”

Emirates' Airbus buy to eat up AI biz

The financial trouble in Dubai has not dented the expansion plans of Emirates Airline, which has managed to raise \$1.13 billion for adding six new giant Airbus A380 aircraft to its fleet.

The acquisition of these new aircraft spells trouble for Air India (AI) as it is at the receiving end of fierce international competition and has been forced to draw up plans to withdraw flights since it is not getting enough passengers on some routes.

These include the non-stop Mumbai and New Delhi flights to New York. According to Air India sources, some of its flights to Paris were also not getting high passenger loads. With one of

the new A380 aircraft being introduced on the Paris route by Emirates, competition is likely to become even tougher for Air India.

While one of the new aircraft joined the Emirates fleet on Sunday, the second will be inducted later this month followed by the remaining four in 2010. The fuel-efficient Airbus A380 has a huge capacity that can carry over 500 passengers resulting in high economies of scale in commercial airline operations.

Emirates has had no problems in raising over \$ 1.13 billion for financing the acquisition despite the financial turmoil in Dubai. The first agreement, covering three A380 aircraft, has been undertaken with Citibank, backed by a guarantee from the European Export Credit Agencies (ECAs). A second financing agreement covering the remaining three A380 aircraft has been arranged through Doric Asset Finance.

This clearly shows that the European banks do not see the Dubai real estate crisis impacting the airline.

According to Tim Clark, president, Emirates Airline, "Emirates remains in a secure financial position despite the global financial crisis. We have never encountered difficulties in obtaining finance for our aircraft acquisition programme, with both international and regional banks comfortable with our financial stability."

The airline run by Sheikh Ahmed bin Saeed Al-Maktoum made a net profit of \$ 205 million, for the first six months of its current financial year ending September 30. This represents a huge 165 per cent increase over the net profit of \$ 77 million in the same period of 2008.

"Emirates has always honoured its financial commitments and we continue to progress with our rigorous fleet and network expansion plans," Clark added.

These six aircraft will form part of the Dubai-based airlines firm order for 53 Airbus A380 aircraft.

This constitutes over 25 per cent of the total 202 orders that have been placed for the state-of-the-art commercial airliner. The delivery of the first A380 aircraft was taken on Sunday taking Emirates' A380 fleet to six, with the aircraft due for deployment on the Seoul, Korea route from December 14.

"The first agreement, covering three A380 aircraft, has been undertaken with Citibank, backed by a guarantee from the European Export Credit Agencies (ECAs)."

"Air India has been forced to draw up plans to withdraw flights as it is not getting enough passengers in some routes – non-stop Mumbai and New Delhi flights to New York"

Emirates Airline to add six Airbus A380s, which shows European banks do not see the Dubai crisis impacting the airline

Air India has been forced to draw up plans to withdraw flights as it is not getting enough passengers on some routes – non-stop Mumbai and New Delhi flights to New York

With one of the A380 aircraft being introduced on the Paris route by Emirates, competition is likely to get even tougher for AI

Emirates Airline, run by Sheikh Ahmed bin Saeed Al-Maktoum, made a net profit of \$ 205 million, in the first six months of its current financial year ending Sept 30 this year.

Source: S.P.S. Pannu, businesstoday.intoday.in - 14th December 2009



**IBA wishes all its readers a
Happy Holidays Season!**



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

Quite a week for aviation. The 787 took to the skies and we all eagerly await to see it enter service and help towards lower emissions and to improve the overall experience. I am told that the increased pressurisation that is possible through the use of carbon composites will reduce the cabin altitude and therefore reduce jet lag and tiredness. That means less herbal remedies I will need to carry with me.

Against the vision of tomorrow we have the BA cabin crew strike (and Qantas engineers) to contemplate and we said goodbye to another UK airline on Wednesday as Flyglobespan bit the dust. It seems that there is a huge disconnect here.

I have sat in a couple of TV studios about this, CNN and Sky News but it has its upside. I was in the so called green room at Sky News and sat next to Martine McCutcheon (She was pretty good in Love Actually).

She was promoting her new book. I said that IBA publishes books as well and I would send her a signed copy of our Engine Values Book due out in March 2010. She asked what the ending was like. I said that it depended on the return conditions at which point she was called in by the producer. Lucky really I was about to explain hot section inspections.

Happy holidays see you in 2010,

Phil, phil.seymour@ibagroup.com

"Newswatch" is a free weekly round-up collated by IBA Group Ltd.

Go to our website to find the last year editions of Newswatch archived.

To either SUBSCRIBE or UNSUBSCRIBE to this newsletter, please send an email to marketing@ibagroup.com with your request.

The items in this document do not necessarily represent the opinion of IBA, and is intended to be for information purposes only. Therefore, IBA assumes no responsibility or legal liability for any action taken, or not taken, by the addressee, or by any other party, with regard to the information and views contained.

As a leading independent aviation consultancy, IBA Group Ltd. offers technical advice, commercial business solutions & asset valuations for our worldwide client base.

Compiled & Edited by Alice Gondry
www.ibagroup.com

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



International Bureau of Aviation
Minimising risk, Maximising opportunity

JET VALUES 2



Jet Values 2, from the International Bureau of Aviation, is a new powerful online aircraft valuation tool, giving you access to IBA's expertise 24 hours a day, seven days a week.

Whether you're searching for up-to-date lease rates, current or forecast market values or simply looking for aircraft specifications, **Jet Values 2** delivers you comprehensive data on practically every commercial aircraft in service. All from a trusted source with over 21 years' industry experience.

This brand new tool is delivered through an intuitive, user friendly online portal, giving you true flexibility and ease of use. Regularly updated, you can be sure that the data you are viewing is the most current and complete. The extensive information held on each aircraft type and model goes well beyond basic valuation and lease rate data – it is a comprehensive guide on each aircraft type or model with full specifications, detailed analysis and much more.

Comprehensive data on over **21,000** different aircraft and over **120** models of Western build commercial passenger and freighter aircraft.

"It's like having your own team of appraisers at your beck and call!"

Dr. Stuart Hatcher, Head of Valuations and Modelling, IBA

Benefiting from IBA's records, knowledge and market information collected over the last two decades, **Jet Values 2** enables you to search by specific serial number, registration or aircraft type to determine:

- Current Base and Market Values, and Current Market Lease Rates
- Forecast Base, Market and Soft Values, and Forecast Base Lease Rates

What's more, the system also delivers total flexibility on the model, specification, length of forecast, inflation parameters, and a choice of Excel or PDF outputs. Special tools, such as the 'My Fleet' and 'Portfolio Manager' functions further enhance the system's usability.

IBA has also designed a number of payment plans, making **Jet Values 2** accessible to everyone. Choose from an annual subscription giving unlimited access for a full year, or pay-as-you-go packages starting from just £120. Furthermore, IBA is offering a free trial of the system, so you can be sure that it is right for you prior to subscribing.

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

