

## In this Issue:

- Australia's Qantas offers crew redundancies
- Emirates launches \$1b bond sale, to list on LSE
- Asian flag carriers join low-cost airline competition
- Bombardier's Q1 profits climb as revenues rise
- China Southern Airlines to buy six Boeing B777Fs
- IBA Group strengthens management team as demand for Aircraft Transaction Management increases
- IBA Group News

**IBA Group Ltd.**  
IBA House  
7 The Crescent  
Leatherhead, Surrey  
KT22 8DY  
United Kingdom  
Tel: +44 (0) 1372 224488  
Fax: +44 (0) 1372 224489  
[www.ibagroup.com](http://www.ibagroup.com)

## Australia's Qantas offers crew redundancies

Australian airline Qantas confirmed on Friday that it was seeking voluntary redundancies among its 7,000 crew members as it tries to combat fluctuating fuel prices and the cost of natural disasters.

In March the carrier said it would slash capacity and management staff due to a series of calamities including floods in Australia and earthquakes in Japan and New Zealand, which coincided with a spike in oil and jet fuel prices.

"Qantas still faces considerable challenges in our international business. Our growth in the international division is slow, and uneven rates of growth on different fleets means our crewing requirements are changing," a spokeswoman told AFP.

"As a result, Qantas is offering voluntary redundancies for both domestic and international cabin crew. Qantas issued a voluntary redundancy registration of interest pack to all cabin crew members yesterday."

It did not say how many crew it was seeking to shed.

The Australian flag carrier in March said it would cut capacity and management jobs to cope with the impact of rising fuel costs and the natural disasters, which had cost the airline some Aus\$140 million (US\$150 million).

The redundancy offers come as a damaging industrial row brews between Qantas and its pilots, which could result in the first strike action by international pilots at the carrier in 45 years.

Last month Qantas Chief Executive Alan Joyce said that conceding to all the pilots' demands could result in job losses and place the future of the airline in jeopardy.

"There are certain demands I cannot concede to because it will endanger the survival of the company into the long run," Joyce said.

"Our international business is losing money. Our international business, if these demands are met, will go backwards even further."

Source: AFP, breccorder.com - 3<sup>rd</sup> June 2011

## Emirates launches \$1b bond sale, to list on LSE

Following strong demand, Emirates has launched a five-year, \$1 billion (Dh3.67 billion) bond, to be listed on the London Stock Exchange (LSE), according to market sources. The airline was initially planning to raise around \$750 million from the bond sale.

When asked for a confirmation, an Emirates spokesperson told Gulf News: "We are still waiting on the final market response which will dictate whether we go ahead with the bond."

The airline intends to use the money as a "security measure" to meet its obligations when the need arises, Emirates President Tim Clark said earlier this week. The carrier stated in its preliminary prospectus for the planned bond sale that the net proceeds of the issue will also be used for "general corporate purposes".

According to bankers quoted by news agencies, a strong response from investors allowed the airline to offer a spread of 330 basis points over five-year mid swaps. The airline, which met fixed income investors in road shows in Hong Kong, Singapore, the UAE, London and Switzerland in the past few days, picked Emirates NBD, Deutsche Bank, HSBC Holdings and Morgan Stanley as lead arrangers for the sale.

Meanwhile, having experienced a challenging first few months this year, Emirates also needs to raise funds for 193 aircraft – worth some \$66 billion – it has on order from Boeing and Airbus. The carrier intends to have a total of 235 aircraft by 2017.

"In light of profits recorded this year, Emirates is continuously growing its business and raising funds to meet its fleet expansion plans. The airline will invest a multi-billion dollar amount over the next three years to increase its fleet size with a majority of wide body aircraft," an Aerospace & Defence Analyst at Frost & Sullivan, told Gulf News.

According to the prospectus, Emirates expects the deliveries of passenger aircraft in the next few years to be restricted to wide-body Airbus A380-800s and Boeing 777-300ERs. It also expects deliveries of Airbus A350 aircraft to commence in April

"Emirates also needs to raise funds for 193 aircraft – worth some \$66 billion – it has on order from Boeing and Airbus. The carrier intends to have a total of 235 aircraft by 2017."

2015 on the basis of delivery schedules agreed with the manufacturer. "These aircraft types are expected to form Emirates' core fleet in the next decade," the carrier said in the prospectus.

According to the prospectus, Emirates has raised a total of \$24 billion over the 14-year period to January 1, 2011 for financing aircraft and corporate finance requirements. It added that Emirates intends to continue using diversified funding sources for its fleet development programme.

Source: Shweta Jain, gulfnews.com - 2<sup>nd</sup> June 2011

---

## Asian flag carriers join low-cost airline competition

Three Asian flag carriers have announced plans to set up new low-cost airlines, jumping on the budget airline bandwagon as their cheap rivals grab an ever bigger share of passengers and make inroads into the long-haul business.

The region's full-service carriers have rebounded from the global crisis. But they are in a dogfight with each other for lucrative premium-class passengers while low cost airlines like AirAsia and Jetstar are not ceding any of the ground they gained from aggressive expansion during the recession, when cheap flights gained extra appeal.

"Ten years ago, low-cost carriers only accounted for one percent of the market" in Asia, said Brendan Sobie, analyst at the Sydney-based Centre for Asia Pacific Aviation. "Five years ago, they accounted for about 9 percent. This year, they will account for almost 20 percent," he said, predicting the figure could double within the next decade.

The proliferation of budget airlines, and their new moves into intercontinental flights, spells good news for travellers: increased competition will further drive down air fares as the line between low cost and full-service airlines becomes increasingly blurry.

But it will also mean an even tougher fight to stay profitable for both budget and regular carriers as they grapple with high fuel costs. The International Air Transport Association, or IATA, has forecast Asia-Pacific Airlines to earn combined profits of

"IATA, has forecast Asia-Pacific Airlines to earn combined profits of \$3.7 billion this year, down from \$7.6 billion in 2010."

\$3.7 billion this year, down from \$7.6 billion in 2010.

Singapore Airlines announced last month plans to set up a budget airline to operate medium and long-haul routes next year. The move is a major gamble for the national airline, which relies heavily on business and first-class travellers who make up a small percentage of seats but account for up to 40 percent of revenue. It will be only the second flag carrier to launch a low-cost unit after Qantas Airways.

In Japan, All Nippon Airways is to tie-up with Hong Kong-based First Eastern Investment to set up the country's first budget carrier. Peach Aviation is expected to start flights in March 2012, offering fares on short-haul international routes at 50 percent lower than current prices.

Thai Airways has also approved plans for a wholly-owned budget carrier to operate two to three hour flights from Bangkok by early 2012.

Source: Associated Press, hurriyetdailynews.com - 2<sup>nd</sup> June 2011

"Thai Airways has also approved plans for a wholly-owned budget carrier."

---

## Bombardier's Q1 profits climb as revenues rise

On Wednesday, Bombardier Inc. delivered a better-than-expected financial report and announced a new order for its CSeries jets ahead of its annual shareholders' meeting.

The Montreal-based company announced a firm order for 10 of its CSeries commercial aircraft, with a list price of US\$665 million, from a Swedish leasing company. The order is to be worth double if all options are exercised.

Bombardier, which reports in U.S. dollars, also said early on Wednesday that its net income for the first quarter was \$220 million, or 12 cents per share, which was above analyst expectations of 10 cents per share.

Revenues lifted to \$4.7 billion, which was stronger than expectations according to a poll by Thomson Reuters, and above \$4.3 billion a year ago.

"Bombardier Aerospace has started to benefit from a stronger business aircraft market, especially at the high end," said president and CEO Pierre Beaudoin in a release.

"Bombardier Aerospace has started to benefit from a stronger business aircraft market, especially at the high end."  
- Pierre Beaudoin

RBC Dominion analyst Walter Spracklin wrote on Wednesday that Bombardier Aerospace's margin was 6.4 per cent, which was higher than RBC's estimate of the 4.7 per cent.

"Although we note that the variance was partially attributable to a favourable mix of business aircraft deliveries, we believe prior efficiency initiatives are leading to operating leverage gains as volumes pick up," Spracklin wrote.

Bombardier booked 77 business jet net orders, up from six a year earlier.

"Our commercial aircraft segment, although slower to recover, is seeing an improved level of interest from customers."

Commercial aircraft deliveries rose to 23 from 16 a year earlier. However, its commercial orders for the quarter totalled a mere five aircraft.

The commercial aerospace business has recently been affected by slow orders for regional jets and Q400s.

Observers have been eagerly awaiting another order for the CSeries, and are looking forward to the Paris Air Show.

Bombardier has added to its order book with the agreement with Braathens Leasing Ltd, a member of Braathens Aviation of Sweden.

Braathens has placed firm orders for five CSeries 100 and five CSeries 300 jet liners and taken options on an additional 10 CSeries jets. If all the options are exercised, the Swedish order would have a list price of US\$1.37 billion.

With the Braathens deal, Bombardier has firm orders for 100 CSeries planes – 38 CS100s and 62 CS300s, and raises the number of customers to four, including Republic Airways, Deutsche Lufthansa and Lease Corporation International.

Bombardier held its market share for business jet deliveries in the quarter according to the General Aviation Manufacturers Association as emerging markets helped demand.

Fundamentals for this key part of Bombardier's business are continuing to improve. Aircraft use is up and the number of used planes is decreasing.

Source: thestar.com - 1<sup>st</sup> June 2011

"With the Braathens deal, Bombardier has firm orders for 100 CSeries planes – 38 CS100s and 62 CS300s, and raises the number of customers to four, including Republic Airways, Deutsche Lufthansa and Lease Corporation International."

## China Southern Airlines to buy six Boeing B777Fs

China Southern Airlines, one of China's major air carriers, said on Tuesday that it has agreed to buy six Boeing 777 freighters, as the company continues to grow its cargo business.

The carrier said the six aircraft, to be delivered between 2013 and 2015, have a list price of \$1.58 billion with the purchase being funded by bank loans and China Southern's operating fund.

It described the deal as being "consistent with the (airline's) development strategy."

"The acquisition will facilitate the optimisation of the structure of the group's cargo business, freighter fleet and cargo traffic capacity," the carrier said in a statement to the Hong Kong stock exchange on Tuesday.

China Southern said the new aircraft will boost its cargo capacity, measured in available tonne kilometres, by 8.4 percent and enhance its operational efficiency, as well as the competitiveness of its cargo business.

The airline said it was granted "certain price concessions" by Boeing and was paying an amount "significantly lower" than the list price, without disclosing the actual cost.

Launched in 2005, the B777F is the world's longest-range twin-engine freighter, according to Boeing.

It has a revenue payload capability of more than 226,000 pounds (102.8 metric tonnes) and it can fly 4,880 nautical miles (9,038 kilometres) with a full payload.

The deal is the second major purchase this month by China Southern from the US aircraft giant.

Three weeks ago, the Chinese firm announced that its Xiamen Airlines unit would buy six 787 Dreamliners from Boeing, worth around \$1.1 billion at list prices, as Chinese airlines boost their fleets to meet fast-growing travel demand.

The aircraft are due to be delivered between 2014 and 2015, and will boost Xiamen Airlines' fleet, which already stands at 71 Boeing jets serving 150 domestic and regional routes.

China Southern Airlines owns 60 percent of Xiamen Airlines.

China Southern has been aggressively ramping up its fleet, saying in November that it had agreed to buy 36 planes from

"The airline said it was granted "certain price concessions" by Boeing and was paying an amount "significantly lower" than the list price, without disclosing the actual cost."

Airbus for \$3.78 billion, while rival Air China said in March it would buy five of Boeing's new 747-8 passenger planes with a combined list price of \$1.54 billion.

The Chinese carrier's 2010 profit has rocketed as demand for air travel booms in China with the firm's passenger numbers rising 15.4 percent to 76.46 million.

A total of 267 million air passenger trips were recorded in the country in 2010, up 15.8 percent from the previous year, official figures showed, reflecting growing prosperity among the country's booming middle class.

Source: news.smh.com.au - 31<sup>st</sup> May 2011

---

## IBA Group strengthens management team as demand for Aircraft Transaction Management increases

IBA has appointed Adrian Lee as Head of Aircraft Transaction Management. The role has been created to bring highly focused expertise to the management and remarketing of IBA's existing asset management portfolio, and to meet an industry increase in aircraft transitioning - both in terms of fleet renewals and retirements. Furthermore, a number of financial institutions are outsourcing part or all of their portfolio management to IBA.

Adrian has a total of 27 years experience in the finance, aviation, aircraft remarketing and management industries, first working in aviation remarketing in 1998.

Prior to joining IBA, Adrian held senior positions with Standard Chartered Bank and was Vice President at Focus Aviation, an international aircraft management and remarketing company. During his time at Focus he successfully marketed a number of different aircraft types on behalf of airline clients and financial institutions ranging from ATR42 to Boeing 747-400 aircraft with transaction values ranging from \$4m to \$85m.

"I am joining IBA at an exciting time in the industry cycle, and have identified significant opportunities based on my previous experience combined with IBA's industry standing and knowledge of their client base," says Adrian.

Phil Seymour President and CEO added "With Adrian's skill-set

"I am joining IBA at an exciting time in the industry cycle, and have identified significant opportunities based on my previous experience combined with IBA's industry standing and knowledge of their client base."

- Adrian Lee



in the area of aircraft sales, sourcing and remarketing we can now confidently claim to be the aviation industry's only multi-specialist in terms of appraisal, technical management, consulting and remarketing. For clients who require a full service aircraft asset management platform we are the only professionals in the market to offer such a broad range of services backed by such an experienced team."

IBA's in-house team of technical surveyors, analysts, asset managers, appraisers and advisers has now grown to 35.

For further information regarding IBA's Aircraft Transaction Management Services, please contact: Owen Geach, Commercial Director, [owen.geach@ibagroup.com](mailto:owen.geach@ibagroup.com) or Adrian Lee, [adrian.lee@ibagroup.com](mailto:adrian.lee@ibagroup.com) or call +44 (0) 1372 224488.

Source: IBA Group & Inter Relations - 3<sup>rd</sup> June 2011

---

## IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, [www.ibagroup.com](http://www.ibagroup.com)

### Conference Dates

7<sup>th</sup> - 8<sup>th</sup> June 2011 - Engine Leasing, Trading & Finance Europe, London - David Rushe will be speaking

8<sup>th</sup> - 10<sup>th</sup> June 2011 - 9<sup>th</sup> Annual China Airfinance Conference, Beijing - Phil Seymour and Owen Geach will be attending, Phil Seymour is speaking

### Smi Masterclass Series 2011

IBA will be running and participating in the following Aviation Masterclass Series in 2011, in Central London:

18<sup>th</sup> July - Continuing Airworthiness - <http://www.smi-online.co.uk/training/overview.asp?is=1&ref=3798>

19<sup>th</sup> July - Continuing Military Airworthiness - <http://www.smi-online.co.uk/training/overview.asp?is=1&ref=3800>

For further information, please contact Owen Geach at [owen.geach@ibagroup.com](mailto:owen.geach@ibagroup.com)

### Smi Inaugural Conference - Future MRO & Ageing Aircraft 2011

24<sup>th</sup> & 25<sup>th</sup> October 2011, Holiday Inn Bloomsbury, London

Topics include Global Fleet Maintenance Strategies, Fleet Life Extension vs Renewals & Component life management

For further details please visit [www.smi-online.co.uk](http://www.smi-online.co.uk)

---

## Publications - 2011 Editions

Please contact [marketing@ibagroup.com](mailto:marketing@ibagroup.com) for more information.

|                          |  |               |
|--------------------------|--|---------------|
| Aircraft Values Book     | Published in February 2011 & August 2011 | £660 per year |
| Lease Rate Digest        | Published in February 2011 & August 2011 | £360 per year |
| Engine Values Book       | Published in April 2011                  | £650 per year |
| Maintenance Cost Journal | Published Quarterly                      | £200 per year |

---



## Phil Seymour's Notes on the Week

What are you sitting on?

I am referring to aircraft seats here.

As a rather sad plane-spotting type I often pull up the seat cushion looking to see who manufactures the aircraft seat.

You may want to do the same. I can't believe how the Koito seat story hasn't made the front pages.

Here is a summary from ATI:

"Despite receiving numerous objections from multiple parties the US FAA has issued a new airworthiness directive for aircraft seats made by embattled Japanese manufacturer Koito Industries, which falsified test data on some 150,000 seats in the world fleet.

The Association of European Airlines (AEA), for instance, said that Koito - witnessed by the Japan Civil Aviation Bureau (JCAB) - has carried out extensive retesting of the seats to prove they are safe and meet all of the certification criteria, and concluded that these data have not been evaluated by the FAA, which could negate the issuance of an AD.

For its part, Koito "respectfully questioned the basis for the NPRM moving forward, absent FAA verification and support that an unsafe condition exists. Koito stated it deeply regrets the circumstances surrounding this AD. Koito submitted that no actual unsafe condition has been verified even for production seats where discrepancies existed between drawings and materials used to show compliance."

But the FAA is holding its ground. "We do not agree to withdraw the NPRM," it said. "It is a fact that some seats have failed during testing. Failure of the seat, in combination with an emergency landing, is considered catastrophic."

Words fail me for once.

See you at the Euromoney conference in Beijing next week?

Before you ask I have already checked - my seat isn't a Koito one.

Phil

---

**"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](mailto: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](http://www.ibagroup.com)**

**Tel: +44 (0)1372 224488 Fax: +44 (0)1372 224489**