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Cebu Pacific buys 37 Airbus jets worth \$3.8 bn

Philippine budget carrier Cebu Pacific announced on Thursday that it had ordered 37 new Airbus jets worth \$3.8 billion as part of ambitious plans to expand operations across the Asia Pacific.

Cebu Pacific Chief Executive Lance Gokongwei said his airline was aiming to fly to new destinations such as Australia, building on an aggressive strategy that has seen it become the nation's top carrier in recent years.

Gokongwei told a news conference his company had ordered 30 Airbus A321NEO jets and seven A320s, to be delivered between 2015 and 2021, in what was the "largest single aircraft order ever made by a Philippine carrier".

He said the airline also had another option for 10 more A321NEO jets, which can carry more people and fly longer distances than the A320s that currently dominate Cebu Pacific's fleet.

"These 220-seater aircraft will be a game changer for Cebu Pacific," Gokongwei said. "We will be able to serve cities in Australia, India and northern Japan, places the A320 cannot reach."

After taking to the skies only 15 years ago, Cebu Pacific surpassed national carrier Philippine Airlines recently to become the number one airline in the country in terms of passenger numbers.

It currently flies to more than 30 destinations within the Philippines and 16 across Asia.

Gokongwei said Cebu Pacific was aiming to see passenger numbers in its domestic operations grow 10-15 per cent a year, with an even more ambitious target of 25 per cent annual growth for its international division.

He said the A321NEO aircraft would be vital in achieving Cebu Pacific's ambitions of driving ticket fares down further.

"The aircraft will reduce our unit cost per seat to a level that cannot be achieved by flying the A320s," he said.

"This means that Cebu Pacific will be able to offer even

lower fares to our guests and be much more competitive with anyone flying less cost-efficient aircraft."

Cebu Pacific's fleet is currently made up of 25 A320s, which carry a maximum of 180 passengers, and eight small ATR turboprop aircraft.

It already has another 18 A320s on order to be delivered between 2011 and 2014.

With the fresh orders announced, Cebu Pacific's fleet size will reach 88 over the next decade.

Cebu Pacific raised 23.3 billion pesos (\$540 million) last year in the country's biggest initial public offering to help fund its expansion plans.

Gokongwei said the money for the new Airbus orders would come from a mixture of borrowing and internal funds.

Source: AFP, omanobserver.om - 17th June 2011

IBA's Comment:

"As an existing CFM operator, it will be interesting to see if Cebu follows Virgin America in selecting the Leap-X."

- David Rushe

Long-haul airline race heats up

Gulf airlines are taking centre stage in a high-stakes game between Airbus and Boeing to develop the latest long-haul jet.

The two aerospace companies are retooling their wide-body aircraft, the Airbus A350 and Boeing 777, with an eye to the Middle East market and big-spending Gulf carriers such as Emirates Airline, Qatar Airways and Etihad Airways.

Both manufacturers are hoping to fine-tune their aircraft to be able to carry about 400 passengers, plus full loads of cargo on flights of more than 16 hours - an increasingly important requirement for Gulf carriers connecting Asia, Europe and the Americas via their hubs. These airlines have more than US\$100 billion (Dh367.8bn) worth of aircraft on order to drive growth plans over the next decade and are expected to buy more jets in the coming years.

"There is keen interest on the part of Emirates and other carriers in the region as to where we are headed with the future development of the 777," said Marty Bentratt, the regional vice president of sales at Boeing.

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- Marty Bentratt

The US aircraft manufacturer is weighing plans whether to enhance its 777 jet with minor changes or replace it with a new design. Either option is likely to require years of costly development as Boeing seeks to protect its market share from its French competitor Airbus, which is developing the A350-1000 as a rival to the 777-300ER, or "extended range".

Middle East airlines are the biggest buyers of the 777, with 80 planes due for delivery to the region between this year and 2013. This represents 30 per cent of total deliveries over this period for the jets, which cost about \$250 million each.

Emirates, the biggest aircraft buyer in the Middle East, is pushing Boeing to focus company resources on its 777 programme. The Dubai airline is considering another order this year for long-haul jets, on top of the 200 jets it has already ordered from Boeing and Airbus. The existing orders total more than \$60bn at list prices.

"I told [the Boeing chief executive] Jim Albaugh to put your boys back on the 777 programme, please. We need that one sorted out sooner," said Tim Clark, the president of Emirates.

The airline is planning to decide by the Dubai Airshow in November whether to purchase more 777s and A350s in a deal that would be likely to top \$1bn.

Airbus is developing the A350-1000 as a competitor to the Boeing 777-300ER with entry into service about 2015. It has 75 orders for the jet, 65 of them from Etihad, Emirates and Qatar Airways.

Airlines and leasing companies have cast doubt on the Airbus programme's competitiveness, leading the European manufacturer to consider making significant revisions to the design.

"Some say [the A350-1000] needs to take on more weight and thrust, and I believe that to be the case," said Mr Clark. "It is still not a 777-300ER replacement, but it is a very good airplane."

Similarly, Qatar Airways, with about 200 jets on order, would like to see the A350-1000 with "increased take-off weight and increased range", said its chief executive, Akbar al Baker.

In response, Airbus officials are promising to confirm at the Paris Air Show their plans to significantly redesign the A350-1000, including engine and wing design changes, and weight changes to boost payload range, according to Flight Global

IBA's Comment:

"Boeing is preaching patience in terms of its plans for the 737/777 future developments, which may not sit well with operators. 777-300ER sales have been strong this year which would tend to indicate that there is less of a pressing need for Boeing to develop the airframe, whilst the A320NEO will only become a real threat when it begins to capture existing Boeing customers."
- David Rushe

magazine.

Boeing may decide to wait and evaluate Airbus's next move before devoting more resources to the 777-300ER programme, said Mr Bentrott. "There is still a lot of question about the A350-1000 in terms of how competitive it will be. So maybe it makes more sense to wait until you have some clarity."

Source: Ivan Gale, thenational.ae - 17th June 2011

Airbus bags big GoAir order

The Wadia family-controlled GoAir has placed a \$7.2-billion order with Airbus Industries for 72 planes, signalling its intention to scale up operations and take the battle to larger budget carriers such as SpiceJet and IndiGo, which have a much larger fleet size.

GoAir has a fleet of 10 planes compared with IndiGo's 37 aircraft and SpiceJet's 25 planes, according to data available on the company websites.

The Airbus deliveries to GoAir will begin in 2015 with the planes funded through a mix of debt and equity. Unconfirmed reports suggest that the airline may go in for a public flotation to fund its expansion and repay debt.

The airline's decision to ramp up its capacity by more than seven times comes from the expectation that air travel in India will grow at a scorching pace.

Billing its recent order as a "game-changer" in the sector, GoAir managing director Jeh Wadia said, "In terms of aircraft, we see tremendous potential in India, which has barely six airlines with 350 aircraft catering to a billion people, compared with China's 1,100 aircraft."

Wadia estimated that the domestic aviation industry would have 1,100 aircraft by 2020 going by the orders that were in the pipeline.

GoAir's huge order is the second sizeable deal from the sub-continent for the European air manufacturer. Earlier this year, in what was billed as the largest jet order in aviation history, IndiGo placed an order for 180 planes worth \$15.6 billion with

"In terms of aircraft, we see tremendous potential in India, which has barely six airlines with 350 aircraft catering to a billion people, compared with China's 1,100 aircraft."
- Jeh Wadia

Airbus.

On Thursday, the Philippines's largest carrier Cebu Air placed an order with Airbus for 37 planes worth \$3.8 billion.

GoAir said the airline's total order with Airbus comprised 92 aircraft worth \$9.6 billion. The airline had earlier placed an order for 20 Airbus A320s. The company expects to take delivery of this order over the next 24 months.

Its closest rival SpiceJet also expects to have around 70 aircraft from US manufacturer Boeing by 2013, including the Q400 Bombardier aircraft. GoAir's order for 72 planes is for the A320 NEO aircraft.

The Wadia family controlled airline also appointed a new CEO – Giorgio De Roni – who had earlier worked with Air One, an Italian private carrier.

Source: telegraphindia.com - 16th June 2011

Boeing boosts jet-demand forecast

The Boeing Co. has increased the number of jets it predicts carriers will need over the next 20 years to 33,500 aircraft.

That's up from last year's estimate of 30,900 jets needed by 2029. Those jets are valued at roughly \$4 trillion, Boeing said when it released its market outlook on Thursday.

"It's clear that we're at the beginning of an up cycle," said Randy Tinseth, Boeing's vice president for marketing, during a briefing for journalists earlier this month.

Over the next 20 years, Boeing expects global air traffic to grow an average of 5.1 percent annually. That growth will spur airlines to buy new airplanes and to replace older, less-efficient ones.

Boeing released its new forecast a day after announcing that it will boost production on its 737 jet to 42 aircraft a month in 2014. The move reflects the continued demand for single-aisle aircraft revealed in Boeing's forecast.

Single-aisle aircraft represent the largest increase in demand in Boeing's market outlook, Tinseth said. Boeing estimates airlines will need 23,370 new single-aisle jets by 2030, up from a

"It will boost production on its 737 jet to 42 aircraft a month in 2014."

previous estimate of 21,160 jets over the next 20 years. Demand for single aisle jets alone make up more than \$1.9 trillion of the total \$4 trillion the market is estimated to be worth over 20 years.

Medium-size, twin-aisle jets like Boeing's 787 or Airbus' A350 make up the next-largest category both in terms of demand and dollar value. Boeing predicts 7,330 of these aircraft will be needed in 20 years, worth \$1.8 trillion.

Carriers will need about 820 very large jets, including Boeing's 747 and Airbus' A380, worth \$270 billion, Boeing said. At the far end of the scale, 1,980 regional jets - those smaller than Boeing's 737 - will be required.

Of the 33,500 new jets, nearly a quarter have already been ordered, Tinseth said. That leaves Boeing, Airbus and smaller and emerging jet makers, including Canada's Bombardier, Brazil's Embraer and China's Comac, to compete for the remaining 75 percent of orders.

Jet makers face a different market compared to 10 years ago in terms of who will be their major customers.

"Twenty years from now, the domestic Chinese market will be bigger than North America's," Tinseth said.

The Asia-Pacific region of the world will account for roughly 34 percent of aircraft demand, Boeing estimates. North America drops to third at 22 percent behind Europe at 23 percent. Latin America and the Middle East will account for about 8 percent each. However, Tinseth noted that demand from Middle Eastern carriers could go higher if they keep up their annual growth rate of about 10 percent.

Heading into the Paris Air Show this weekend, where jet deals are often done, Boeing has 134 net orders so this year. Tinseth noted a lot of activity is taking place, especially after a few years of decreased air travel. Already airlines are showing interest not only in new aircraft but also in possible updates like new interiors, he said.

"Air travel is very resilient," Tinseth said.

Source: Michelle Dunlop, heraldnet.com - 16th June 2011

"Of the 33,500 new jets, nearly a quarter have already been ordered"

Qantas cancels orders, trims targets

Australian carrier Qantas scaled back growth plans and cancelled aircraft orders in response to slowing domestic demand, as it grapples with high fuel costs and natural disasters.

Chief executive Alan Joyce said the airline was now eyeing 5.5 percent domestic capacity growth for 2011-12, compared with eight percent previously.

Spending will be slashed by Aus\$400 million (US\$426 million) - Aus\$100 million from the second half of the current financial year, which ends this month, and Aus\$300 million from 2011/12.

Aircraft lease plans will be reduced by Aus\$300 million, added Joyce, with Qantas now expecting to take delivery of 34 aircraft in 2011-12 instead of the 43 previously announced.

Orders for 12 narrow-body jets will be cancelled or deferred, including three anticipated in the second half of this year.

Qantas has already warned it is planning to slash capacity and jobs - mostly management positions - in response to a string of natural disasters and record jet fuel prices.

"The Qantas Group has always taken decisive action to match capacity to demand," said Joyce in a statement on Wednesday, citing "slower overall growth rates in the domestic market."

"We are well-placed to retain our profit-maximizing 65 percent domestic market share."

The announcement comes as an ash plume from Chile's Puyehue volcano wreaks travel chaos in Australia and New Zealand, forcing widespread flight cancellations and delays that have stranded thousands of travellers.

It has been a tough 12 months for Qantas.

The airline suffered about Aus\$80 million in losses due to flooding and cyclones in Australia earlier this year, followed by Aus\$15 million hit from New Zealand's Christchurch earthquake.

The deadly tremor and tsunami in Japan wiped another Aus\$45 million from the books.

And a mid-air engine explosion over Indonesia last November forced it to temporarily ground its entire A380 super-jumbo fleet at a cost of Aus\$80 million in the current financial year.

The Australian dollar's bullish run above parity with the

IBA's Comment:
"Despite efforts to diversify its route structure, Qantas continues to face stiff competition from long-haul Middle Eastern carriers on international routes and low-cost carriers on domestic and local routes."
- David Rushe

greenback has also hit inbound international travel and seen a slump in the domestic market, as Australians seek cheaper holidays offshore.

Source: AFP, mb.com.ph - 16th June 2011

THAI: Plane orders turbulence-free

Thai Airways International (THAI) has given its assurance that the procurement of 37 jets was conducted in a transparent manner and that debts resulting from their acquisition will not constrain the flag carrier financially.

President Piyasvasti Amranand said on Tuesday that the acquisition, costing almost 119 billion baht, was conducted with "transparency in checks and balances" against a backdrop of scepticism about the straightforwardness of plane procurements, problems that have rocked the airline in the past.

The selection involves 28 aircraft lessors and three plane makers - Airbus, Boeing and Bombardier.

Dr Piyasvasti said the purchase of 15 of the 37 aircraft for 49.5 billion baht would be split between Airbus and Boeing "as we do not need to see one particular manufacturer monopolising the order".

The airline's board, chaired by Ampon Kittiampon, last Saturday approved the acquisition of the aircraft, which will be delivered to THAI over six years starting next year as part of a major fleet renewal programme.

The approval cemented the fleet overhaul that is seen as a top priority if the airline wants to shore up its business, which has been dragged down by an ageing and poorly equipped fleet with an average age of 11.7 years.

Approved for purchase were:

- Six Boeing B777-300ER long-range wide-body aircraft from the US manufacturer with deliveries in 2014-15.
- Four A350 new-generation jets from Airbus (2016-17).
- Five A320 narrow-body jets from Airbus (2014-15).

"The approval cemented the fleet overhaul that is seen as a top priority if the airline wants to shore up its business, which has been dragged down by an ageing and poorly equipped fleet with an average age of 11.7 years."

Approved for leasing, all with standard 12-year terms, are:

- Eight B787 Dreamliner new-generation jets (2014-17).
- Eight A350s (2016-17).
- Six A320s (2012-13).

Dr Piyasvasti said the debt created by the acquisitions would not be significant thanks to the mix of purchasing and leasing. The 49.5-billion-baht debt from purchases is modest and would not be booked until close to the delivery dates.

Short-term financial obligations arise from deposits on orders, while aircraft leasing fees are treated as expenditures that are spread out over time.

THAI has a policy not to increase its debt-to-equity ratio beyond 2:1.

The airline is working on selecting a second batch of 38 new aircraft for delivery from 2018-22 at a cost of 229 billion baht, plus spare engines worth 11.98 billion for a total of 240.98 billion.

Meanwhile, Dr Piyasvasti said high fuel prices would significantly affect the airline's profitability this year, as they would all major airlines around the world.

"Our returns this year are unlikely to match last year's level," he said.

The airline posted net earnings of 15.4 billion baht or 8.39 baht a share last year, up from 7.34 billion or 4.32 baht a share in 2009, buoyed by foreign exchange gains and improved performance.

Source: bangkokpost.com - 15th June 2011

"The airline is working on selecting a second batch of 38 new aircraft for delivery from 2018-22"



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IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, www.ibagroup.com

Conference Dates

20th -21st June 2011 - Paris Air Show - Phil Seymour, Owen Geach and Adrian Lee will be attending the Air Show and the ISTAT Reception

6th - 7th July - Aviation Finance Europe, London - IBA are sponsoring. Phil Seymour is speaking and Owen Geach and Ben Jacques are attending.

SMi Masterclass Series 2011

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

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

19th 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

SMi Inaugural Conference - *Future MRO & Ageing Aircraft 2011*

24th & 25th 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

Publications - 2011 Editions

Please contact 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

Big order(s) for the NEO next week in Paris?

I still have a few questions which I hope to have answered: for example, if the aircraft is going to be 1.8 tonnes heavier than the current version, will the landing gears, wheels, brakes and tyres ("tires" for US readers) be the same as the current version - or will airlines have to procure more robust parts? If not, then should I assume greater wear and tear and an increase in the maintenance reserve? Same for the APU - will it be different in order to start the heavier engines? Will there be a loss of commonality? Or will the APU wear require more frequent and more expensive refurbishment? Etc., etc., etc... So many questions, so little time. On the subject of time, my newly acquired watch from the Beijing Silk Market is performing well. The discount on new prices is amazing - how do they do it? Long way to take it back though.

See you in Paris?

Phil

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