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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

U.S. airlines prep plane orders; AMR said to be close

An avalanche of airplane orders from the largest U.S. airlines may be on the way, with at least four major carriers in talks to buy fuel-efficient narrow-body planes to renew aging fleets.

AMR Corp, parent of American Airlines, is further along in discussions and is eyeing a large order for more than 250 narrow-bodies valued at more than \$15 billion to be split between Boeing Co and its European rival EADS unit Airbus, sources close to some of the talks said.

Even a small order by American Airlines for Airbus planes would mark a significant shift in loyalty by the airline, which currently flies an all-Boeing mainline fleet.

Delta Air Lines also is in talks with plane makers and says it aims to decide on an order for as many as 200 planes by the end of the year.

Southwest Airlines and United Continental Holdings reportedly are also talking about potential orders. US Airways Group, the only other major U.S. hub-and-spoke carrier, says it is not in talks to buy new planes.

"Clearly the four big US airlines, which basically are American, the new Delta, the new United and Southwest -- all are talking about refueling," said Adam Pilarski, senior vice president at AVITAS, an airline consulting company that also works with aircraft lessors and lenders. "It's not a surprise, eventually they have to do it."

The U.S. airline industry is recovering from a years-long downturn thanks to capacity cuts and mergers.

American Airlines has announced orders for 130 737-800s and has been taking delivery for the last few years to replace aging, fuel-guzzling MD-80 aircraft. American Airlines currently has 128 737s and 247 MD-80s.

AMR Chief Executive Gerard Arpey said as long ago as 2008 that the company would consider the next-generation narrow-body offerings of both Airbus and Boeing, which are planning upgrades to their hot-selling narrow-bodies.

Airbus is putting a more fuel-efficient engine on its A320 and renaming it the A320neo.

Boeing is considering re-engining or fully redesigning its 737 but has delayed the decision even as Airbus amasses orders for its neo. A re-engined 737 would come to market faster but likely offer less fuel-efficiency than a redesigned version of the plane.

At last week's Paris Air Show, Airbus racked up firm orders for almost \$50 billion of neos. JetBlue Airways and Republic Airways Holdings placed provisional orders for 120 of the planes.

"The last stand for single-aisle airplanes is North America," said airline consultant Michael Boyd. He said Boeing was "blown off the map in Paris" as the neo piled up orders.

As U.S. airlines gear up for a potential order frenzy in the United States, Boeing insists airlines want a redesigned plane and are willing to wait for the company to fully assess its ability to produce it.

Speaking at the Paris Air Show, Jim Albaugh, chief executive of Boeing's commercial airplanes division, said he would not be surprised if Boeing 737 customers took a look at the neo, adding that he hoped Boeing could make a decision by year end.

But some experts say U.S. airlines may not be as patient as Boeing thinks. Talk of a Boeing split order underscores that reality, said Bob Mann, an airline consultant with RW Mann & Co and a former fleet planner for American Airlines.

"(Boeing) have been hemming and hawing about this airplane for two years, and in the meantime Airbus has stolen a march on people who are willing to commit," Mann said.

Source: Baltimore Sun.com - 30th June 2011

"As U.S. airlines gear up for a potential order frenzy in the United States, Boeing insists airlines want a redesigned plane and are willing to wait for the company to fully assess its ability to produce it."

Partnership Formed for C919 Plane

The Commercial Aircraft Corp of China Ltd (COMAC), which is undertaking the construction of large domestic passenger jets, began its first joint venture on Tuesday with a foreign company in the hope of using world-class manufacturing techniques in the production of the homegrown C919 airplane.

The partnership between the Shanghai Aircraft Manufacturing Co Ltd (SAMC), a subsidiary of COMAC, and the United States-

based Eaton Corp, a company specializing in systems used to control and distribute energy, is among 17 strategic agreements COMAC has reached with various aviation companies.

The Eaton SAMC (Shanghai) Aircraft Conveyance System Co Ltd will be situated in the Shanghai Pudong Lujiazui Software Park and will concentrate on the design, development and manufacture of the fuel and hydraulic conveyance systems needed for COMAC's production of the C919, said Lu Xiao'an, the director of the new venture.

The conveyance system will transport fuel through a network of pipes running throughout the plane. The design of the system will thus have a direct effect on an aircraft's performance.

Craig Arnold, vice-chairman and chief operating officer of Eaton, said the official opening of the joint venture is an important addition to the international cooperation taking place on the C919 project.

"We are greatly honored to be a part of this important project and to be a part of the growing aviation industry in China," Arnold said. "Together we will utilize the best civil aviation technology, world-class manufacturing capabilities, and proven management practices to create a globally competitive company."

Eaton has a long history of supplying fuel and hydraulic conveyance systems and currently collaborates with Boeing, Airbus and other aircraft manufacturers.

SAMC will be the controlling party of the new venture, holding 51 percent of the shares. The remaining 49 percent will go to Eaton, and the amount of registered capital in the venture will total \$18 million.

According to Jin Zhuanglong, general manager of COMAC, the venture was granted a business license in March and is dedicated to developing techniques required for designing and building conveyance systems for the global civil aviation market.

The design stage of the C919, which will be the first Chinese-made trunk-line passenger aircraft, will be completed by the end of next year and the aircraft will make its maiden flight in late 2014 before being delivered to buyers in 2016.

So far, COMAC has received more than 100 orders for the C919, said Jin.

Once in service, the C919, the equivalent of the Boeing 737 and

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the Airbus 320, is expected to lessen the country's dependence on foreign aircraft manufacturers.

Source: Beijing Times - 30th June 2011

Rolls-Royce wins £630m Singapore deal

Rolls-Royce has won a \$1bn (£630m) order from Singapore Airlines to supply Trent 700 engines.

Through the contract, the Derby company will supply engines to power 15 A330 aircraft, along with TotalCare services support.

Singapore Airlines already operates 19 Trent 700-powered A330s, the first of which was delivered in 2009.

The deal is a boost for Derby manufacturing as the city's trainbuilder Bombardier and credit card services company Egg, both underwent hammer blows as news of contract losses and job axing were revealed last week.

Nick Devall, Rolls-Royce's chief commercial officer of civil aerospace, said: "The Trent 700 has proven itself to be the most efficient engine for the Airbus A330. Our continuous investment in the improvement of our products has ensured that the Trent 700 is the clear leader in the market. Singapore Airlines has been a great partner and we are delighted to extend this relationship further."

Source: Insider Media - 29th June 2011

OFT calls on airlines to scrap debit card fees

U.S. To make air fares "truly meaningful and comparable" the Office of Fair Trading is calling on airlines to stop charging passengers for booking with debit cards.

Currently, the cost of booking with a debit card can vary depending on which airline passengers fly with.

For example, Easyjet charges £8 per booking made with a debit card, Ryanair charges £6 per passenger per flight, and British Airways charges nothing.

The government body is also calling on rail operators and ferry

"Our continuous investment in the improvement of our products has ensured that the Trent 700 is the clear leader in the market" - Rolls-Royce

companies to stop charging debit card fees and find a "consistent solution".

Paying with a debit card should be "the online equivalent to cash", said Cavendish Elithorn, senior director of the OFT's goods and consumer group.

"The growth of internet retailing has brought massive benefits, but the increasing use of card surcharges is not one of them," he said.

"You can't buy online with cash and people are frustrated about being asked to pay for paying.

"Consumers find it harder to shop around and find the best deal if they have to invest time and effort in discovering surcharges. This also weakens competition between retailers which is bad news for the UK economy."

The OFT's recommendations follow a super-complaint from consumer watchdog Which.

Following the complaint, the OFT has also questioned the practice of "drip pricing" - adding surcharges only after consumers have already filled in a number of web pages.

The OFT said some airlines and travel companies are "potentially misleading" with credit card fees coming as a "surprise".

In addition, free payment methods are only available to a small proportion of consumers, making a surcharge effectively "compulsory".

The OFT has said it will take "enforcement action" against any businesses continue to use misleading surcharging practices.

"We believe there is also a strong case for a change in the law so that the cost of using a debit card, the almost universal payment method for today's online consumers, is always included within the headline price," said Elithorn.

Retailers and interested parties now have a 90-day window to share their views with the OFT.

Source: Air and Business travel News - 28th June 2011

"The OFT said some airlines and travel companies are "potentially misleading" with credit card fees coming as a "surprise"

Air passenger traffic up 6.8% in May

Air traffic results for May shows an increase of 6.8% in passenger traffic over May 2010, says International Air Transport Association (IATA).

In a statement yesterday, it said the increase was 4% higher than the beginning of the year.

It said freight traffic showed a 4% drop against the post-recession peak of the re-stocking cycle in May 2010. However, recent months show a renewed uptrend, with freight volumes 2% higher than the start of the year.

"We saw positive developments for air transport volumes in May. International passenger load factors rebounded by 0.8 percentage points to 75.8%. Freight volumes improved by 1.2% over April and passenger volumes were up by 1.8%.

"These will help to alleviate some of the pressures on profits from continued high fuel prices," said director-general and chief executive officer Giovanni Bisignani.

However, he said there were risks associated with political unrest in the Middle East and the European currency crisis.

"We still expect the industry to make US\$4bil this year. That is a pathetic 0.7% margin and another shock could alter the industry's fortunes dramatically. It's another tough year for a very fragile industry," he said.

IATA said in terms of international passenger markets by region, Asia-Pacific carriers recorded an expansion of 4.7%, considerably below the global average of 8%.

This is due to continuing weakness in the post-earthquake/tsunami Japanese market.

Compared with May 2010, capacity expanded 5% and load factor fell slightly to 73.4%.

"European carriers' traffic expanded by 10.9%, boosted by increased northern European economic activity and a weaker euro encouraging trade and inbound travel. Capacity expanded by 10.6%, second only to Latin America and the load factor strengthened to 77.7%," it said.

Latin American carriers saw the fastest international growth, up 21.3% compared with May 2010, and the fastest capacity expansion (15.2%). This was a consequence of strong economic growth and increased travel and trade flows to North America and across the Pacific. The load factor was just above the

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- Giovanni Bisignani

industry average at 76%.

North American carriers had cut capacity for two consecutive months (minus 0.4% in April and minus 0.5% in May). Year-on-year, traffic was up 4.5% and capacity increased by 5.5%. The largest fall was for Asia-Pacific carriers with a 9.2% drop, showing the impact of disrupted supply chains in Japan and tighter economic policies in China, IATA said.

Source: AFP, khaleejtimes.com - 22nd June 2011

Ryanair tops international rankings

Irish budget airline Ryanair has been named by the International Air Transport Association as the world's busiest international airline by passengers carried.

IATA statistics for 2010 show Ryanair carried more international passengers than any other airline at 71.2 million.

The figure was almost 30 million more than second placed Lufthansa (44.6 million) and almost 10 million more than easyjet (37 million) and British Airways (26 million) combined.

Source: MiceBTN news - 30th June 2011



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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

6th - 7th July - Aviation Finance Europe, London - IBA are sponsoring. Phil Seymour is speaking with 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

I have barely had time to unpack from the Paris Airshow as we have had so many questions relating to the NEO value proposition. Maybe there is no need to have a value proposition specifically, so long as the purchase agreement guarantees fuel burn reduction and a clear basis for the purchase price. So perhaps all my questions about the additional 1.8 tonnes of weight for the NEO and what that means for landing gear and APU commonality with the current A320 are irrelevant?

I need to practice my screaming now as I am off to the Ladies final at Wimbledon tomorrow.

Phil

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Compiled & Edited by Alice Gondry
www.ibagroup.com

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