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More realistic airfares likely

With more new airlines joining the race and existing players adding new routes or boosting capacity, the Gulf-India sector is poised to witness increased competition, resulting in more realistic fares, both in the low-cost and legacy sectors.

The latest airline to enter the fray is India's fast growing budget carrier Indigo, which will launch its maiden flight on the New Delhi-Dubai sector on September 1 as part of a major global expansion drive.

Airline sources said the entry of more no-frill carriers would likely make the airfare in the sector more competitive. "With such a big capacity boost and increased competition, prospects are that exorbitant fares to several destinations in India, particularly to south Indian cities of Thiruvananthapuram and Cochin would witness further correction. Fares are bound to come down to realistic levels," they said.

Aditya Ghosh, President of Indigo, sounded very upbeat about the prospects of the airline's impact in the sector with his airline's penchant for a clean, fresh airline product, great on-time performance and cheap tickets.

Before the year-end, the airline will be adding new destinations in India, including Mumbai, Thiruvananthapuram and later on adding tier two cities to its route network.

The overseas foray will also see Indigo operating to Singapore and Bangkok. The airline, which has on order more than 200 Airbus A320s, will deploy initially eight aircraft to its overseas operations. It currently has 42 aircraft in services.

Another leading Indian carrier, Jet Airways, announced on Thursday that it would commence daily flights from Sharjah to Thiruvananthapuram from October 30.

The airline currently operates a daily flight from Sharjah to Kochi and the addition of another daily service will further enhance its growing International network. This will be the tenth daily service from the United Arab Emirates to India and the twenty-second Jet Airways flight from the Gulf to India.

Jet Airways currently operates to 24 International destinations.

Jet Airways' Gulf network now serves 10 destinations in the Middle Eastern region. The additional services to Thiruvananthapuram will now complement the airline's existing daily Gulf operations from Abu Dhabi, Bahrain, Dubai, Doha, Kuwait, Muscat and Sharjah, as well as Jeddah, Riyadh and Dammam to Mumbai, Delhi, Chennai, Hyderabad and Kochi.

Jet Airways, Jet Airways Konnect and JetLite have a combined fleet strength of 115 aircraft and operate over 580 flights daily. With an average fleet age of 5.45 years, the airline has one of the youngest aircraft fleets in the world.

The latest Gulf airline to boost capacity in the India-Gulf sector is Qatar Airways with the launch of daily non-stop scheduled services from Doha to Kolkata. The addition of the latest route reaffirms the carrier's commitment to India where it now operates 95 flights a week across 12 destinations, the airline said in a statement.

In addition, the Doha-based airline also operates twice-weekly freighter services to Kolkata, one of six Indian destinations where Qatar Airways already offers dedicated cargo flights.

Kolkata now becomes part of Qatar Airways' large family of routes in India that also covers Delhi, Mumbai, Chennai, Ahmedabad, Hyderabad, Trivandrum, Cochin, Kozhikode, Goa, Amritsar and Bengaluru.

UAE-based carrier, Emirates, Air Arabia, Fly Dubai and Etihad are also continuously boosting capacity in the Gulf-Indian sector with new frequencies and destinations.

Source: Issac John, khaleejtimes.com - 29th July 2011

IBA's Comment:

"The current backlog in India and the Middle East would tend to re-enforce growth forecasts in the region, with over 1,500 passenger and freight aircraft on order."

- David Rushe

Boeing lifts 2011 outlook as profit soars 20 per cent

US aerospace and defence giant Boeing raised its 2011 earnings forecast after profits soared 20 per cent in the second quarter.

The world's second-largest aircraft maker, after European rival Airbus, also confirmed its delay-plagued new airplanes - the 787 Dreamliner and the jumbo 747-8 Freighter - were on schedule for first deliveries.

It cut back its full-year maximum forecast for commercial aircraft deliveries to 495 from 500, citing lower planned shipments of the 787 and 747-8 aircraft.

Boeing reported net profit of \$US941 million, compared to \$US787 million in the 2011 second quarter.

"Strong operational performance drove double-digit margins at both of our major businesses and produced outstanding results in the quarter," Jim McNerney, Boeing Chairman, President and Chief Executive, said in a statement.

The Chicago-based company raised its 2011 earnings per share forecast to between \$3.90 and \$4.10 per share, while estimates for revenue and cash flow were left unchanged.

"Our outlook for the year has strengthened as our team continues its relentless focus on productivity improvement, cash management and program execution," Mr McNerney said.

Second-quarter revenues rose 6.0 per cent from the year-ago quarter, to \$US16.5 billion, the company said in a statement.

Earnings per share of \$1.25 were 18 per cent higher than a year ago and widely beat the average analyst estimate of 96 cents.

Mr McNerney said the company had made "major progress" toward certification and delivery of the new 787 Dreamliner and 747-8 this year and continued "disciplined" increases in commercial airplane production rates.

Boeing said flight testing activities on the 787 and 747-8 Freighter programs are nearing completion and deliveries are expected later in the third quarter.

Japanese airline All Nippon Airways is the launch customer for the 787; Cargolux, based in Luxembourg, will take delivery of the first 747-8 Freighter.

Boeing's long-haul 787 Dreamliner, which the company says will deliver 20 per cent fuel savings, is three years behind the initial

IBA's Comment:

"Boeing has got its ducks in a row at the right time (finally) in terms of the 787 service entry, the market is picking up now, albeit gradually, and greater capital market support is available for operators and owners."

- David Rushe

schedule due to snags in the production line.

The 747-8 is a longer and more fuel-efficient update of Boeing's double-decker 747 jumbo jet, and will compete with European rival Airbus's A380, the world's biggest passenger plane. That program is running two years behind schedule.

Boeing lowered its planned 2011 deliveries of 787s and 747-8 planes to no more than 30 units, down from 40 units.

Boeing said it had booked 65 net orders for commercial planes in the quarter. At quarter's end it had firm orders for 827 of the fuel-efficient 787s, from 57 customers.

Earnings from operations leaped 17 per cent in the second quarter, to \$US1.5 billion, as the operating margin rose 0.9 points to 9.3 per cent.

Net orders for the quarter were \$US12 billion and included "a significant mix" of wide-body commercial airplanes, Boeing said.

Boeing's Defence, Space & Security segment posted a 12 per cent rise in earnings from operations, to \$US798 million.

Source: heraldsun.com.au - 28th July 2011

"At quarter's end it had firm orders for 827 of the fuel-efficient 787s, from 57 customers."

RJ's new A330 to replace two A310s

Royal Jordanian (RJ), the national carrier of Jordan, has received its third Airbus A330 aircraft, replacing the two A310 passenger aircraft, slated to phase out in the near future.

With the new addition, the RJ fleet will comprise 32 planes that serve 59 direct destinations.

Hussein Dabbas, RJ's president and CEO, said that the decision to introduce the aircraft was part of the airline's plan to modernize its fleet and replace the long-serving aircraft with modern planes, thus offering passengers the highest levels of comfort, especially during long-range flights.

Dabbas added that this aircraft is leased on a long term operating lease until January 2017, to cover part of the RJ route network in light of the delay in the delivery of the 11 Boeing 787 Dreamliners, which will start joining the fleet in

"this aircraft is leased..... to cover part of the RJ route network in light of the delay in the delivery of the 11 Boeing 787 Dreamliners."

early 2014.

The aircraft will operate on the long- and medium-range routes, among which are Colombo and the Nigerian capital, Lagos, a new route which the airline is planning to open before the end of this year, Dabbas said.

The RJ president pointed out that the three A330s besides the four A340s will allow RJ to broaden its long-range network and thus serve new destinations in different worldwide points. RJ, the oneworld carrier, introduced the first two A330 aircraft in May 2010 which are currently run to Bangkok, Kuala Lumpur, Hong Kong and London.

RJ's Airbus A330 is a wide-bodied aircraft that seats 283 passengers, 24 in Crown class. It holds 15 tons of cargo and flies a range of 13,400 km non-stop.

Source: tradearabia.com - 28th July 2011

JetBlue profit falls as rising costs offset sales

JetBlue said on Tuesday that its second-quarter earnings fell 19 percent as rising costs for fuel and maintenance overshadowed rising revenue from higher fares.

The airline, based in New York, earned \$25 million, or 8 cents per share, compared with a year-ago results of \$31 million, or 10 cents per share. Revenue rose 22 percent to \$1.15 billion.

JetBlue Airways Corp. says it paid 58 percent more for fuel between April and June than it did the year before. Maintenance costs rose by 29 percent.

JetBlue flew about eight percent more passengers in the three-month period than it did a year ago, and it made 14 percent more per passenger, mostly due to higher fares. Capacity, or number of available seats, grew by nine percent as the airline continued its expansion in and out of Boston and the Caribbean. Planes were not as full as a year ago, but occupancy rates still topped 80 percent on average.

JetBlue said in a conference call on Tuesday that its plan to attract more business travellers in key cities like New York and

"Planes were not as full as a year ago, but occupancy rates still topped 80 percent on average."

Boston is going well. To continue to get more higher-paying fliers on board, the airline said it will soon launch a flat-rate travel pass aimed at business travellers. It didn't say how much the pass would cost. JetBlue chose not to renew its highly popular "All You Can Jet" pass this year, which offered travellers an unlimited month of flights starting in the sluggish travel period after Labour Day. It had offered the pass for the last two years.

For the third quarter, JetBlue expects costs per available seat mile - a measure of how much it costs to fly a paying passenger a single mile - to increase between 13 and 15 percent. The airline said all of the increase is attributable to higher fuel prices. Excluding fuel, costs are expected to be down between two and four percent.

Capacity is expected to increase between nine and 11 percent in the third quarter and between six and eight percent for the full year.

Source: Samantha Bomkamp, AP, bellinghamherald.com - 26th July 2011

High-flying Ryanair brought down to earth by cost of fuel

Ryanair, Europe's largest low-cost airline, blamed higher fuel and operating costs for lower than expected quarterly profits.

The carrier, which will introduce two new routes at Leeds-Bradford in November, said its fuel bill rose by 49 per cent, or £123m on a year ago, to £375.8m.

The Irish airline, which operates more than 1,500 flights a day, warned that traffic would fall four per cent in the next winter season as high fuel costs will force the airline to ground flights.

In the three months to the end of June, first-quarter profits rose by one per cent, to £122.6m.

The costs offset a 29 per cent rise in revenues, to £1bn, reflecting an 11 per cent rise in average fares and an 18 per cent jump in passenger numbers, to 21.3 million.

From November, Ryanair will fly two new routes from Leeds

"traffic would fall four per cent in the next winter season as high fuel costs will force the airline to ground flights."

Bradford airport to Kaunas, in Lithuania, and Riga, in Latvia, bringing the airline's winter schedule up to 13 routes.

Ryanair said fuel prices remained "stubbornly high" with spot prices currently at \$118 (£72.30) a barrel.

However, it has bought 90 per cent of its requirements for the current financial year to next March at \$86 a barrel, an 18 per cent increase on last year.

Chief executive Michael O'Leary said: "High oil prices are forcing competitors to further increase their fuel surcharges and fares, which make Ryanair's low fares even more attractive.

"It will also drive further consolidation, and more airlines will exit the industry. This will generate growth opportunities for Ryanair because we operate the most fuel-efficient aircraft."

Source: yorkshirepost.co.uk - 26th July 2011

IBA's Comment:

"Ryanair will be keen to explore the savings that can be achieved with new or re-engined narrowbody aircraft, such as the 737RE and C919"

- David Rushe

Analysts estimate American will pay \$40M each for A320neos

Based on information in American Airlines' regulatory filings, analysts at Wells Fargo say the carrier will pay about an average \$40 million for its A320neos from Airbus in the blockbuster order announced last week.

That's about a 56 percent discount from the list price and \$3 million to \$5 million lower than today's real market value after more typical discounts.

While it's little surprise Airbus offered a very good price to capture a previously all-Boeing customer, the deal may also reverberate through upcoming sales campaigns.

Other major U.S. airlines with big orders in the works, including Delta and United, will likely take that pricing as their starting point.

Wells Fargo analysts Sam Pearlstein and Gary Liebowitz issued a research note on Tuesday detailing the calculations by which they estimated the A320neos' price, including clarifying information from American Airlines that prompted the analysts

"Other major U.S. airlines with big orders in the works, including Delta and United, will likely take that pricing as their starting point."

to revise the figure upward from an earlier estimate of \$30 million per jet.

American Airlines' quarterly-earnings filing on July 20 revealed that with the order, its total purchase commitments on firm orders at the end of this quarter will swell to \$10.3 billion.

Taking the figure cited in the filing for prior purchase commitments, and backing out a few minor adjustments expected between now and the end of September, the difference due to last week's giant order is \$7 billion.

American told Pearlstein and Liebowitz that this figure covers the purchase of 130 Airbus A320neos. It also includes pre-delivery payments on 230 classic A320s and 737s to be leased from Airbus and Boeing.

The figure doesn't include the purchase from Boeing of 100 re-engined 737s. That part of the order is not firm and awaits Boeing board approval of the re-engine decision.

Assuming that the airline must pay one-fifth of the purchase price before delivery, which is typical, the average cost for 130 planes plus one-fifth of the cost of 230 more works out to \$40 million.

An alternative assumption that the airline must pay 30 percent before delivery results in an even lower price, \$35 million.

Source: Dominic Gates, seattletimes.nwsourc.com - 26th July 2011

IBA's Comment:

"Delta's order will be interesting, as an operator of all-Boeing aircraft before the Northwest fleet integration. It has almost 200 ageing DC-9/MD-80 family aircraft in stock as well as 191 Boeing 757s "

- David Rushe



IBA Group News

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

Conference Dates

- 18th - 20th September 2011 - ISTAT Europe 2011, 18th European Conference, Barcelona - Phil Seymour will be speaking, James Uniacke and Adrian Lee will be attending
- 26th - 28th September 2011 - SpeedNews 12th Annual Aviation Industry Suppliers Conference in Toulouse - IBA is a sponsor and Ben Jacques will be speaking
- 28th - 30th September 2011 - ERA General Assembly, Rome - Ben Jacques will be speaking and Adrian Lee will be attending
- 5th - 6th October 2011 - UBM Aviation, Aircraft & Engine Finance & Leasing USA Conference, Chicago - Phil Seymour will be speaking
- 31st October - 2nd November 2011 - Euromoney Asia Pacific School of International Aviation Finance, Hong Kong - IBA will be presenting
- 3rd - 4th November - 12th Annual Asia Pacific AirFinance Conference - IBA will be speaking
- 1st - 2nd December 2011 - Aviation Investors Summit, London - Phil Seymour and Owen Geach will be speaking
- 24th - 26th January 2012 - Euromoney 14th Annual International Aviation Finance Conference, Dublin - IBA is sponsoring and will be speaking

Country Visits

- Owen Geach will be in Toronto, New York and Washington the week commencing 1st August 2011
- Owen Geach and Steve Fisk will be in Tokyo from 25th to 30th September 2011
- Ben Jacques and Adrian Lee will be in the Far East from 22nd August to 2nd September 2011

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

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