

In this Issue:

- 24 hours of flight tests left for 787
- 20 more orders for the C919 jet
- Delta investing \$65 million in Aeromexico
- MAS-AirAsia collaboration to eliminate irrational competitive pricing
- Garuda Revamps Fleet With Airbus Aircraft
- Orient Thai picks Boeing
- 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

24 hours of flight tests left for 787

The Boeing Co. plans to wrap up the last of its flight testing on the 787 this weekend and is on track to deliver the first Dreamliner next month, a company executive said on Thursday.

Boeing has about 24 hours of flight testing left to complete, Jim Albaugh, president of Boeing's commercial airplane program, said on Thursday. Once that's finished, Boeing will submit its paperwork to the Federal Aviation Administration for review.

The FAA board will meet soon to review certification for the 787-8, the first model of the Dreamliner. After the FAA signs off on the 787-8 design, it will give its OK for the jet to be flown commercially shortly before first delivery. Boeing intends to hand over the first 787 to Japan's All Nippon Airways in September. A specific date hasn't been set.

Albaugh noted the company's challenges with the 787 don't end at first delivery. Boeing wants to increase production on the Dreamliner to 10 jets monthly by late 2013.

"Certainly, that's not without risk," Albaugh said.

Boeing added a second 787 assembly line in South Carolina to help the company achieve its production goal. The company is more than three years behind schedule on the Dreamliner, which has about 830 orders. Albaugh called Boeing's two other factories there - the former Vought and Global Aeronautica sites - the "pinch point" in 787 production.

Also in September, Boeing aims to deliver its first 747-8 freighter to Cargolux. A passenger version of the updated jumbo jet is due for first delivery later this year.

On Thursday, Boeing's Albaugh fielded questions about the future of the company's 737 and 777 programs. Boeing announced last month that it would re-engine the single-aisle 737 rather than introduce an all-new aircraft. Albaugh expects Boeing's board to approve the updated 737 program when it meets this month.

Albaugh noted that the company is considering an upgrade of its Everett-built 777.

"We're talking to half a dozen airlines right now, not just about the 777 but the 777X," Albaugh said in reference to an enhanced version of the 777, which Boeing isn't offering yet.

Boeing added orders for 19 777s to its backlog this week, including an order announced Wednesday for 12 777s from Cathay Pacific. An order for seven 777s from an undisclosed customer was also posted on Boeing's orders website. On Wednesday, Singapore Airlines said it plans to order eight 777s but that order hasn't been finalized yet.

Source: Michelle Dunlop, heraldnet.com - 12th August 2011

20 more orders for the C919 jet

Commercial Aircraft Corp of China has signed a letter of intent with an aircraft leasing company to sell 20 C919 jets. The deal with Hong Kong-based China Aircraft Leasing Co brings Commercial Aircraft Corp's total orders for the jet to 120.

China Aircraft Leasing targets domestic airlines as potential clients of the 150-seat jets, and will also seek to lease them overseas, a marketing official surnamed Zhao of the company told Shanghai Daily on Thursday.

She didn't disclose the list price or delivery schedule for the C919 jets. China Aircraft Leasing, founded in 2006, added China Everbright Ltd as a strategic investor in June in a bid to expand its fleet size from the current 12 aircraft to 100 within three years.

China Everbright and Friedmann Pacific Asset Management Ltd each own a 40 percent stake in the company, and state-owned companies will be introduced later this year to take the balance.

China's four biggest carriers, Air China, China Eastern Airlines, China Southern Airlines and Hainan Airlines, as well as China Development Bank Leasing Co and GE Capital Aviation Services have all ordered the jet.

The C919 aircraft is expected to make its maiden flight in 2014 with deliveries scheduled for 2016.

Source: Winny Wang, shanghaidaily.com - 12th August 2011

"The C919 aircraft is expected to make its maiden flight in 2014 with deliveries scheduled for 2016."

Delta investing \$65 million in Aeromexico

Delta Air Lines is buying a stake in Aeromexico and expanding its existing partnership with the carrier.

Through a memorandum of understanding announced this week, Delta plans to invest \$65 million to gain a roughly 3.5 percent stake in Aeromexico. It would be Delta's only stake in another airline.

In the deal, subject to Mexican regulatory approval, Delta would gain a seat on the board of directors.

Delta chief executive Richard Anderson said in a written statement that the deal builds the foundation for a joint venture.

Delta and Aeromexico are already partners in the SkyTeam global alliance and have a "code-share" marketing partnership in which they sell seats on each others' flights. The two airlines will expand the code-sharing and work together more closely by co-locating airport facilities and other moves.

The carriers also plan to open a new maintenance, repair and overhaul facility together in Mexico. Each airline will invest equal shares for the facility. Aeromexico already does some overhaul work in Mexico on Delta planes, while Delta does engine work on Aeromexico planes in Atlanta, and the partnership would expand that work.

Mexico's Secretary of Tourism, Gloria Guevara, met with Delta officials in Atlanta on Wednesday and said the airline's investment in Aeromexico "speaks of the growth and the potential that they see in Mexico."

She said Mexican and U.S. airlines have nearly covered the gap in service left by the shutdown last year of Mexico's then-largest air carrier, Mexicana.

Source: Kelly Yamanouchi, ajc.com - 11th August 2011

"Mexican and U.S. airlines have nearly covered the gap in service left by the shutdown last year of Mexico's then-largest air carrier, Mexicana."

MAS-AirAsia collaboration to eliminate irrational competitive pricing

The impending collaboration between Malaysia Airlines (MAS) and AirAsia Bhd (AirAsia) is a positive move as it would eliminate irrational competitive pricing, allow economies of scale, higher bargaining power and synergies.

Hong Leong Investment Bank Bhd (HLIB) said AirAsia, as Malaysia's only low-cost carrier player, would have better control over supply and yields without competition from FireFly, MAS-owned low-cost unit.

"There are higher chances of AirAsia plying for routes, which were previously exclusive to MAS.

"Hence, AirAsia will be able to increase its route and enhance its network connections," it said in a research note on Wednesday.

HLIB also raised AirAsia and MAS's earnings on potentially higher yields and lower costs.

The company forecasted AirAsia's earnings to increase 5.9 per cent and 13.5 per cent, respectively, for financial years 2012 and 2013 while that for MAS was projected to increase 50.4 per cent and 24.9 per cent, respectively.

HLIB, however, maintained both airlines' earnings for the financial year 2011 as the deal would only be completed by November.

Meanwhile, HwangDBS Vickers Research Sdn Bhd said MAS could be back in the black as the deal was expected to allow the various airlines to collaborate in different areas, leveraging on each other's strengths, and optimise efficiency.

"We believe these initiatives will benefit MAS especially in achieving cost synergies in view of its high cost per available seat kilometre (ASK). The impact could be immediate and significant which could potentially result in MAS turning profitable," it said.

HwangDBS said on the other hand, AirAsia could see smaller cost synergies given its already low cost per ASK.

"But topline growth could be given a boost as the airline will be in a better position to obtain more routes and gain market share as it was the only Malaysian low-cost carrier," it added.

For MIDF Research, it believed the tie-up would create cost saving opportunities as both airlines would create strong

"We believe these initiatives will benefit MAS especially in achieving cost synergies in view of its high cost per available seat kilometre (ASK)"

bargaining power for future aircraft orders, getting aircraft financing as well as limiting duplication of resources such as maintenance, repair and overhaul.

MIDF Research said the tie-up was taking place at a time when crude oil prices were falling to boost the Malaysian aviation industry, as such, it maintained a neutral stance on the industry.

Source: theborneopost.com - 11th August 2011

Garuda Revamps Fleet With Airbus Aircraft

Garuda Indonesia has finalized the order for \$2.13 billion in Airbus aircraft, which will add 25 new planes to its fleet, the airline's chief financial officer said.

The announcement confirmed an agreement made in June between Garuda and Airbus at the Paris Air Show. The 25 new Airbus A320s, including 10 fuel-efficient A320neos, will replace the Boeing 737-300s and 737-400s currently flown by Garuda's low-cost unit, Citilink.

Citilink currently flies five 737s and is expected to receive the new Airbus planes in early 2014. Garuda is expected to announce its engine selection for the purchased aircraft in the near future.

"Each plane is tagged at \$85 million," Garuda chief financial officer Elisa Lumbantoruan said. "We may get a discount [once the lessor is appointed] but we cannot disclose that."

The purchase will be conducted through lease transactions.

Emirsyah Satar, president director of Garuda Indonesia, said at Berita Satu Media Holding headquarters on Monday that management expected to boost Garuda's revenue from Citilink from a single-digit rate to 30 percent.

"This order will ensure that Citilink is equipped to realize its full potential," Emirsyah said.

It has stated a goal of more than quadrupling the number of people who fly with the carrier in the next four years with new routes and new aircraft.

"a goal of more than quadrupling the number of people who fly with the carrier in the next four years with new routes and new aircraft."

New overseas destinations will include Singapore, Thailand, the Philippines, Malaysia and Australia.

“We are confident that these modern, eco-efficient aircraft will enable us to win an important share of the fast-growing budget market in Indonesia, while providing our passengers with a high quality product,” he added.

As Garuda increasingly targets middle-to-upper-income consumers, Citilink is competing with other low-cost carriers like local airline Lion Air and AirAsia of Malaysia.

John Leahy, chief operating officer for customers at Airbus, said in a statement that he was pleased to welcome Garuda Indonesia as a new customer for the A320.

“Citilink will benefit from the proven reliability, passenger appeal and low operating costs that make the A320 Family the single aisle market leader,” he said.

Emirsyah predicted last week that the number of passengers travelling on Citilink would reach 8.3 million in 2015, from an estimated 2 million this year.

Garuda aims to carry 35 million passengers in 2015, including those flying with Citilink. Last year, Garuda alone carried 13 million passengers and more than 200,000 tons of cargo with a fleet of 86 planes.

The airline plans to add 68 aircraft in the next four years, nearly doubling its fleet.

Source: Muhamad Al Azhari, thejakartaglobe.com - 9th August 2011

Orient Thai picks Boeing

Orient Thai Airlines is revamping its fleet with the introduction of Boeing 737 Classic jets to replace the vintage McDonnell Douglas 80-series aircraft.

The Thai carrier opted for the US-made Boeings after its plan to acquire 12 Sukhoi Superjet narrow-body jets from Moscow-based Sukhoi Civil Aircraft (SCAC) did not materialise.

Orient Thai founder Udom Tantiprasongchai said SCAC's inability to meet promised delivery dates was due to delays in certification of airworthiness of its new aircraft.

The earliest SCAC could deliver its aircraft was 2015-16, three to four years behind the airline's requirement.

Orient Thai had a non-binding memorandum of understanding with SCAC for two years to purchase 12 jets with an option for another 12.

The jets cost US\$25 million apiece, and talks involved SCAC establishing a Sukhoi aircraft maintenance centre and pilot training facility in Thailand.

The airline has taken delivery of three used B737-300s and is working to acquire nine B737-400s, a more versatile and stretched version.

By the first quarter of next year, the airline should be operating six B737 Classic jets while completing its acquisition of 12 B737s toward the end of 2012, said Mr Udom.

It used its MD aircraft to fly mostly domestic routes under the no-frills brand One-Two-Go, which adopted its parent's name of Orient Thai over a year ago.

Orient Thai has four working MD-80 and 90 series jets plus a spare.

The airline is using the B737-300s on one of its two international routes, Chiang Rai-Macau, and a B747 jumbo on its Bangkok-Hong Kong route.

Mr Udom said the airline also wanted to use B737-300s for international charter flights, a lucrative business segment for Orient Thai.

The airline serves seven domestic cities from Don Mueang in Bangkok: Chiang Mai, Chiang Rai, Phuket, Hat Yai, Trang, Nakhon Si Thammarat and Udon Thani.

Its B737-300s have winglets, a new aerodynamic feature said to achieve 5% fuel savings.

Source: bangkokpost.com - 8th August 2011

“The jets cost US\$25 million apiece, and talks involved SCAC establishing a Sukhoi aircraft maintenance centre and pilot training facility in Thailand.”



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

Country Visits

- Owen Geach and Steve Fisk will be in Tokyo from 25th to 30th September 2011 - Please contact Owen Geach if you would like to arrange a meeting: owen.geach@ibagroup.com

- Ben Jacques and Adrian Lee will be in the Far East from 22nd August to 2nd September 2011

Kane Antony Ray joins the IBA Group as Aviation Analyst

Kane Antony Ray joined the International Bureau of Aviation (IBA) in August 2011 as an Aviation Analyst. His primary focus is to support IBA's Consultancy and Appraisal division with aircraft engine valuations and related research. Prior to joining IBA, Kane obtained a BSc in Air Transport Management from Loughborough University in 2011 researching core areas such as aviation finance, airline and airport management and transport economics. Kane specialised in aviation safety basing his final year project on pilot-error aircraft incidents. Before attending Loughborough University, Kane was awarded a BTEC National Diploma in Civil Engineering from the St Helens College technology campus in 2007 focusing heavily on airport runway structure and design.

Phil Seymour's Notes on the Week

I noticed that the US military lost contact with the Falcon HTV-2 carbon fibre un-manned experimental aircraft this week. I hope they find it of course but it got me back to thinking about high speed travel again. In theory this could develop into a vehicle that travels at Mach 20 (13,000 miles per hour/20,800 kilometres per hour) - that is about 12 minutes between New York and Los Angeles or less than an hour from London to Sydney.

That is almost too quick isn't it? I can just imagine the conversation with Mrs Seymour as I head off to Sydney for a meeting on a Monday morning. Instead of "will you be home for the weekend?", I will be asked, "will you be home for lunch?"

Of course managing the 2,000 degree Celsius temperature and the G-forces are quite formidable when moving from theory to a practical passenger aircraft and somehow I don't see this happening before Boeing provide full details of the 737 Re-Engined aircraft. Oh hang on, let me think that through again - the Falcon HTV-2 may be at least 10 years away from concept to feasible, perhaps it may be in service before the new 737 after all.

Phil

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

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