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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

Delta to purchase 100 Boeing 737 jets

Delta Air Lines confirmed on Thursday its plan to buy 100 Boeing 737 jets as part of a fleet upgrade, with delivery set for 2013-18.

The order is valued at \$8.5 billion at list prices, although airlines commonly get discounts.

The newer planes offer perks for travellers including a roomier cabin, less engine noise and more room in overhead bins.

But they also have huge benefits for airlines because they are more efficient, require less maintenance and burn less fuel.

The 737-900 extended-range aircraft from Boeing have a single aisle and up to 180 seats when set up with economy and first class.

They have the range to fly on any of Delta's domestic routes. The 737-900 is the newest of Boeing's 737 model.

Delta, which is based in Atlanta, said in January it was considering an order for as many as 200 jets - possibly with options for 200 more - to replace the aging fleet it uses for domestic flying.

It said the timing of its delivery plan will allow it to keep its capital spending plan on target for this year.

Keeping its costs under control is critical to its goal of reducing its debt over the next two years.

The new planes will replace Delta workhorses such as the DC9-50s and Airbus A320s that it got when it bought Northwest Airlines in 2008, as well as Boeing 757-200s, which both airlines have operated.

The average age of Delta's planes is 16 years. It has some Boeing planes that are less than 2 years old. But its DC9s date to the 1970s. They are the oldest commercial passenger planes flown today by a U.S. airline.

Delta is the world's second-largest airline, behind United Continental Holdings. It has a total fleet of more than 700 planes.

Delta estimates that it will save 15% to 20% in fuel and maintenance costs when it takes on the new planes.

It is more than halfway through a three-year, \$2-billion

plan to upgrade its fleet, facilities and technology.

The purchase is good news for Chicago-based Boeing, which lost its exclusive hold on American Airlines' fleet last month.

The airline, which is owned by AMR, announced plans to split a massive order between Boeing and rival Airbus.

It was the biggest plane order in history: 460 aircraft (260 planes from Airbus and 200 from Boeing) with options to buy 465 more.

Source: freep.com - 26th August 2011

Boeing's Dreamliner becomes commercial reality

After years of headaches and occasional heartbreak, Boeing Co is ready on Friday for the US government to declare its revolutionary 787 Dreamliner safe to fly passengers.

Operating certification by the Federal Aviation Administration will enable Boeing to make the first delivery of its plastics-based airplane next month to Japan's All Nippon Airways.

FAA certification will be granted at a ceremony on the Boeing flightline in Everett, Washington.

The Dreamliner, which promises to raise the bar for fuel efficiency and passenger comfort, is nearly three years behind its original schedule and at least several billion dollars over budget by some outside estimates.

"It's momentous. A few years back no one thought this day would come. We pretty much have one step left and that's delivery," said Alex Hamilton, managing director with EarlyBirdCapital.

With 827 orders for the plane on the books, the Dreamliner may be the most hotly anticipated aircraft in the history of the storied company.

The airframe is made largely of light-weight carbon composites that help lower fuel costs for airlines. The composites also enable various improvements for passengers such as more comfortable cabin air pressure and bigger windows.

Development and construction make unprecedented use of a vast global supply chain that could slash production costs if it works correctly.

"It will completely change the way that aircraft have been manufactured until now," Hamilton said.

Boeing expects a production rate of ten 787s per month by the end of 2013. Kinks in the supply chain, however, have caused several of the embarrassing program delays.

Boeing, which competes with EADS unit Airbus for commercial plane orders, has said that it would bring more of the work on future models back in house.

It is unknown how long it could be before the 787 program earns a profit. Boeing Chief Executive Jim McNerney said in June that the program faces financial headwinds, and he declined to say when the 787 could make money.

The CEO has long insisted that while Boeing may have stumbled since proposing the aircraft eight years ago, it has built a plane that airlines around the world want and need for the long term.

Boeing does not disclose how much it has invested in the plane's development.

As Boeing celebrates FAA certification, the company continues to grapple with program challenges.

Boeing is mired in a legal dispute with one of its top labour unions in Washington state, where it has traditionally built its aircraft.

The International Association of Machinists and the National Labor Relations Board have accused Boeing of building a nonunion 787 assembly plant in South Carolina to punish the IAM for past strikes.

Boeing blames one of its seven program delays on a 58-day strike in 2008 over a contract dispute, but it rejects the notion that placement of its second assembly line was retaliatory.

Boeing plans to assemble seven 787s a month in Everett and three more in South Carolina.

Source: zeenews.india.com - 26th August 2011

"while Boeing may have stumbled since proposing the aircraft eight years ago, it has built a plane that airlines around the world want and need for the long term."

Gulf Air gets financing for new aircraft

Gulf Air has financing in place for its aircraft deliveries next year, according to a senior airline executive.

The Bahraini state-owned carrier is also currently in talks with manufacturers Airbus and Boeing to renegotiate its past aircraft orders.

"We are well financed for the aircraft deliveries to take place next year. We have a strong mother company – Mumtalakat Holding, Bahrain's sovereign wealth fund," Karim Makhoulf, Gulf Air's chief commercial officer, told Gulf News on Wednesday on the sidelines of a conference.

He added that the carrier is expected to take delivery of six Airbus A320 planes next year in addition to some regional jets.

The carrier, with a current fleet of 34 planes, is renegotiating its past aircraft orders with Boeing and Airbus to better meet the airline's strategic needs.

"With Airbus and Boeing, we are renegotiating the old order book of the past with the target to have a more ideal fleet mix.

"This would mean opting for more narrow-body aircraft instead of only wide-body aircraft so that we have the right mix," said Makhoulf.

Gulf Air's initial order was for 59 aircraft including 20 Airbus A330s, 15 A320s and 24 Boeing 787 Dreamliners.

"The key thing is to adjust our growth with the market needs. We are watching our new strategy and market developments and adjust our order book accordingly," Makhoulf said.

He added that Gulf Air is expected to get new aircraft soon as it is in the process of conducting talks with regional aircraft manufacturers such as Embraer, Bombardier and Airbus (for the A319).

Makhoulf said: "We can't reveal any details as yet because we are still in negotiations with the regional aircraft providers. We will make an announcement at the Bahrain International Airshow in January next year." Gulf Air has a plan to become a profitable airline within the next two to three years, according to Makhoulf. "Things are going in the right direction," he said.

When quizzed on the carrier's first-half 2011 performance, he said: "The KPIs in 2011 are not that bad. We were hit in February and March by the events which took place in Bahrain, but since May-June we have seen normalisation in our traffic,

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- Karim Makhoulf

which means that new commercial initiatives are compensating the drops which we experienced earlier this year."

Makhlouf also indicated that the loss-making organization could see more layoffs.

"We are in full restructuring mode and staff costs are one of the influential costs of an airline. We already reduced staff by about 27 per cent in the last two years," he said.

Source: Shweta Jain, gulfnews.com - 25th August 2011

Clear skies ahead for AirAsia but stormy outlook for MAS

Despite posting weaker year-on-year and quarter-on-quarter yields, AirAsia Bhd (AirAsia) seems to fare well amidst a high average jet fuel cost compared with its foe-turned-ally, Malaysia Airlines System Bhd (MAS).

ECM Libra Capital Sdn Bhd (ECM Libra) in its research report on Wednesday affirmed its optimism on AirAsia despite a higher-than-average jet fuel cost of US\$140 per barrel and a seasonally weaker second quarter.

Its commendable RM137 million adjusted net profit was well within the research house's expectations with average fare remained unchanged quarter-on-quarter at RM164 per passenger.

Passenger and load factor for the group, on the other hand, had increased by 3.6 per cent and 1.5 percentage points quarter-on-quarter respectively.

Despite higher overall cost, the low-cost airline had managed to lower its ex-fuel cost by 1.4 per cent year-on-year and 3.4 per cent quarter-on-quarter to 6.5 sen.

To recap, the group's first half of financial year 2011 (1HFY11) adjusted net profit of RM335.9 million had made up 39 per cent and 40 per cent of the research house's and consensus full-year estimates.

The group's 2HFY11 results were expected to be in full swing due to seasonally stronger passenger traffic and an anticipated lower jet fuel costs.

On the other hand, MAS continued to 'bleed' red ink with its 2QFY11 results of a reported RM526.7 million loss on the back of higher fuel cost. Together with losses seen in 1QFY11, the group's year-to-date losses came up to a RM769 million.

The increase in the airline's traffic growth could not be offset by the 40.7 per cent year-on-year increase in 2QFY11 fuel cost.

"What surprised us was the minimal 1.2 per cent year-on-year increase in revenue yield (revenue/revenue passenger kilometre) to 24.2 sen which suggests that lack of pricing power or predatory pricing to compete with low-cost carriers," said ECM Libra.

Over the next six months, the group would seek to maximise revenue per available seat kilometre via dual pricing and proactive flight planning.

Over the medium term, the focus would be primarily on the long-haul premium business (with more first and business class seats) while regional routes would be further rationalised. This represented a complete reversal of the previous management's strategy.

However, despite the ambitious blueprint drawn out by the airline for the consecutive quarters, ECM Libra remained bearish on the airline's future prospects.

"Despite capacity cut in 3QFY11 and seasonally stronger 4QFY11, we expect MAS to continue reporting losses as fuel cost remains high. While crude oil prices have corrected significantly, jet fuel prices have remained stubbornly high.

Average jet fuel price since July of US\$127.2 per barrel has only declined by three per cent.

"We are also not sanguine on MAS' new strategy at this juncture due to lack of detailed implementation plans as well as continued intense competition by Singapore Airline, the incumbent premium long-haul carrier in Asean, as well as the impending establishment of a new Pan Asian airline by Qantas," highlighted ECM Libra.

As such, analysts estimated that MAS' earnings would be like 'shooting in the dark' at the moment, given the lack of detailed plans by the group at this juncture.

Hence, ECM Libra had cut its FY11 to FY13 estimates aggressively by 28 per cent to 56 per cent on assumptions of minimal capacity growth.

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- ECM Libra

Selling pressure was expected to resume following a dismal 2QFY11 results and synergistic benefits from the collaboration with AirAsia were anticipated to be realised within the long-term.

While MAS seemed to bear the pessimism, AirAsia appeared to shoulder optimistic ratings as analysts viewed the group in a much positive light.

"Despite commendable growth rates in the past, AirAsia has further room to grow as it forges more overseas joint ventures to cement its position as Asean's leading low cost carrier. New overseas ventures are expected to commence soon in Philippines (4Q11), Vietnam (1Q12) and Japan (1Q12). It is also eyeing a joint venture in Singapore and another in north Asia," opined the research house.

Recent collaboration with MAS would also put Air Asia in a more solid position to negotiate new routes as well as airport charges.

Source: theborneopost.com - 25th August 2011

"AirAsia has further room to grow as it forges more overseas joint ventures to cement its position as Asean's leading low cost carrier"
- ECM Libra

SkyTeam offer for Air India

SkyTeam – the world's No. 2 international airline alliance – has approached Air India with a membership offer following Star Alliance's decision to keep out the national carrier from the global grouping.

According to officials in the ministry of civil aviation, the SkyTeam delegation, led by managing director Michael Wisbrun, met civil aviation secretary Nasim Zaidi last week and expressed interest in making the national carrier part of its alliance.

In the aftermath of the Star Alliance fiasco, Air India has been approached by both SkyTeam as well as Oneworld with membership proposals and the offer to help the national carrier improve its international operations.

"SkyTeam is one of the alliances that have approached us. Thanks to our preparations to join Star Alliance, we revamped

"Air India has been approached by both SkyTeam as well as Oneworld with membership proposals."

our working on a par with the standards of any international body. We do not have any problems in joining SkyTeam and will consider its proposal seriously. But at the same time we are open to talks with Star Alliance if they want to restart a dialogue," a senior ministry official said.

SkyTeam – founded in 2000 by Aeroméxico, Air France, Delta Air Lines and Korean Air – is the last of the three airline alliances to be formed.

It has grown to become the second largest global alliance in terms of passengers and members, behind Star Alliance and ahead of Oneworld.

The alliance consists of 14 carriers, including Alitalia, KLM and Delta Air Lines, from four continents and flies to 916 airports in 169 countries. It operates over 14,000 daily flights with a combined fleet of 3,400 aircraft, including associate carriers.

It has 465 lounges worldwide to serve its 474 million annual passengers. SkyTeam also runs a separate cargo alliance – SkyTeam Cargo – which partners nine carriers who are all SkyTeam members.

Source: Karan Choudhury, telegraphindia.com - 23rd August 2011

Demand soars for Sukhoi Superjet

Russia's Sukhoi Civil Aircraft Company (SCAC) has signed delivery contracts for over a hundred of its Superjet 100 airplanes at the MAKS 2011 aviation salon which recently came to a close in the town of Zhukovsky outside Moscow. The overall contract trading volume stands at nearly \$3.5 billion.

Two agreements deserve particular attention: the one with the Indonesian Sky Aviation airline for 12 aircraft worth \$400 million and the \$320 million contract with Gazpromavia for 10 Superjets. Before MAKS 2011, the SCAC had lump sum contracts for the delivery of 170 machines. Thus, Russia's first medium-range passenger liner capable of flying 100 people and constructed with the use of cutting-edge technology is successfully entering the global market. Deals stricken at the Zhukovsky air show serve as an indicator of its high competitive abilities, says editor-in-chief of the AVIA.RU website Roman Gusarov:

"This is perhaps the most successful project. However, the aircraft has yet to make a good showing in two aspects - safety and price. If it keeps its end up, foreign airline carriers will line up to buy the Superjet. At present, more efforts are needed in terms of the manufacturing process, in order to launch mass serial production. This will reduce the plane's cost and increase its competitive ability," Roman Gusarov emphasized.

It should be said here that competition in this segment of global civil aircraft engineering is extremely high, with every manufacturer having its own virtues and shortcomings. This is, first of all, true for the already existing Embraer and Bombardier planes. Russia's Superjet 100 was created in close international cooperation with such well-known companies as Snecma, Thales, Boeing, Alenia Aeronautica and Honeywell. The Sukhoi Civil Aircraft Company is moving along the right path, experts say. Among other things, it managed to integrate the global aviation industry's best technical achievements, like the joint French-Russian engine and other foreign-made devices installed on the plane. The involvement of Italy's Alenia company provides more advantages to the Superjet, especially when it comes to receiving the European certificate expected later in the year, Roman Gusarov goes on to explain:

"The Superjet project will also hold the cards for entering the European market, with the assistance of the European-based Superjet International. Alenia is a technologically advanced company which will be pleased to share its experience in designing and using new aircraft manufacturing materials if satisfied with cooperation," Roman Gusarov said.

At present, the Superjet 100 airplanes are strongly sought-for everywhere - in Europe, Asia and America. Therefore, the Sukhoi Civil Aircraft Company has rather ambitious plans to produce at least 800 machines before 2020

Source: Oleg Nekhai, english.ruvr.ru - 23rd August 2011

"This is perhaps the most successful project. However, the aircraft has yet to make a good showing in two aspects - safety and price."
- Roman Gusarov



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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 - Stuart Hatcher will be presenting

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

Phil Seymour's Notes on the Week

The 737-900ER seems to have finally got a positive kick with the Delta order for 100 of the aircraft.

It may not actually do much in terms of global acceptance and distribution statistics but does show that Delta needs to replace some of its older aircraft and that they can't wait around to see what the new re-engined, re-winged and re-pyloned Boeing 737 may consist of.

Another manufacturer thankful of a positive kick is Sukhoi with Gazpromavia and PT Sky ordering 22 aircraft between them.

I am hopeful that Arsenal will also gain a positive kick but there seems to have been some lack of investment so far. I hope they order some new equipment this week.

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

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Compiled & Edited by Alice Gondry

www.ibagroup.com

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