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China to need 5,000 airplanes by 2030, Boeing says

The Boeing Company has adjusted its previous outlook, now expecting China will require 5,000 new commercial airplanes worth \$600bn by 2030.

Randy Tinseth, Boeing Commercial Airplanes Vice President of Marketing, said: "Sustained strong economic growth, growing trade activities, increasing personal wealth and income, as well as continued market liberalization will be the driving forces in shaping China's air travel market. We expect China will be the second largest country taking new commercial airplane deliveries due to its air travel demand growing at an annual rate of 7.6 percent on average."

Boeing forecasts that small and intermediate twin-aisles, such as the Boeing 787 Dreamliner and 777, will be a significant part of these deliveries. They are expected to constitute over 40 percent of the market in value, with some 1,040 deliveries anticipated.

Major Chinese airlines, taking advantage of their membership in the major airline alliances, will gradually shift their focus from domestic to international markets to become competitive global players, Tinseth pointed out.

As a result of the boost for China's inbound tourism, the single-aisle market will also remain strong, with total deliveries reaching 3,550. Tinseth said the new 737 MAX family will allow Boeing to continue to deliver the most fuel-efficient, most capable airplane with the lowest operating costs in the single-aisle market segment.

With China's cargo markets leading the global industry, Chinese air carriers will add about 400 freighter airplanes by 2030. Tinseth said the majority of the demand will be for large, long-range freighters such as the 747-8F and 777F, given that most traffic growth is projected to occur on long-haul traffic lanes tied to China.

Worldwide, Boeing projects investments of \$4 trillion for 33,500 new commercial airplanes to be delivered during the next 20 years.

Directly and through subsidiaries and joint ventures, Boeing China employs 6,000 workers. It is the single largest purchaser of made-in-China aviation parts,

committing hundreds of millions of dollars to dozens of suppliers.

More than 50 percent of all the commercial jetliners operating in China are Boeing airplanes. Today, some 6,000 Boeing airplanes fly throughout the world with integrated China-built parts and assemblies.

China has a component role on every current Boeing commercial airplane model - the 737, 747, 767, 777, as well as the world's newest and most innovative airplane, the Boeing 787 Dreamliner.

Source: TheManufacturer.com, 9th September 2011

Needless aircraft purchases caused Air India mess: CAG

The government's auditor said on Thursday the decision to buy new aircraft, which was driven by the aviation ministry, and dismal management practices had led to the downfall of flag carrier Air India.

"The current dismal state-of-affairs of Air India is a combination of factors like, risky aircraft acquisition, an ill-timed merger and operational deficiencies," the Controller and Auditor General of India (CAG) said in its report tabled in Parliament.

"Air India is no more a favoured airline for passengers. The services and criteria that benchmark a favoured and popular airline are absent in Air India," the report said.

Reviewing the decision to buy 68 Boeing aircraft for Air India and 43 Airbus planes for Indian Airlines the report termed the acquisition process ill-timed and driven from the top.

Air India and Indian Airlines were merged in April 2007 into the National Aviation Company of India Ltd. (Nacil), which has since been renamed as Air India. The merger was, however, criticised by the auditor who called it ill-timed and done without thought to the synergies that could be exploited.

"Air India is no more a favoured airline for passengers. The services and criteria that benchmark a favoured and popular airline are absent in Air India"
- CAG

The report deals with the period the Nationalist Congress Party's Praful Patel was the civil aviation minister. Patel is now the Heavy Industries Minister.

The CAG said the initial proposal to acquire aircraft was made in 1996. However, soon after the United Progressive Alliance (UPA) government assumed office in 2004, the procurement process picked up and the deal was wrapped up in seven months.

The deal also saw Air India altering the acquisition plan, at the behest of the civil aviation ministry, from buying 18 small capacity short-range aircraft and 10 medium capacity long-range planes in January 2004 to 50 medium capacity long-range aircraft in November 2004. The auditor said that between Aug. 2004 and Dec. 2005, the proposal was formulated and approved by the Air India board, the Ministry of Civil Aviation, the Planning Commission, the Public Investment Board and the Cabinet Committee on Economic Affairs.

"The Government conveyed its approval on Dec. 30, 2005 and the contract was signed by Air India with Boeing on the same day. From the receipt of the proposal to the signing of contract took seven months. Many of the key assumptions underlying the revised project report (for 50 long-range aircraft) were flawed," said the CAG in its findings.

"The chronology of events leading to change in aircraft requirements of Air India clearly brings out the role played by the ministry in the proposal being revised from 10 long-range aircraft to 50 long-range aircraft," the auditor said.

Reacting to the report, Patel said: "In 2004, Air India and Indian Airlines had 93 aircraft, most of which were 20 years old. There was no way the airlines could have withstood the global competition with these planes."

Source: omantribune.com - 9th September 2011

IBA's Comment:

"Financial woes and increased competition on short-haul routes from Low Cost Carriers are seriously impacting the fortunes of Air India and Kingfisher.

Neither airline is in a good position to benefit from the anticipated massive growth in passenger levels in the Indian sub-continent."

- David Rushe

BALPA to Support Pilots as Thomas Cook Axes 230 Jobs

Thomas Cook has announced that it will axe 230 jobs by the end of 2011.

The announcement was made to Thomas Cook airline staff Wednesday that will largely affect Manchester airport although crew at other UK airports are also set to be affected. The company has announced a 90-day consultation with staff over plans to cut six of its 41 aircraft by the end of the year.

The move has been partly blamed on the end of the contract between Thomas Cook and a third party operator, Canadian Air, for which Thomas Cook operates three planes which will be removed this winter.

"We have entered into a 90-day consultation with employees who could be affected by the change; no decision about redundancies will be made until after the consultation," a Thomas Cook spokesperson said.

"We are naturally disappointed and we will do all that we can to minimise the job losses and support individuals through the process," Jim McAuslan, the general secretary of the BALPA said.

"Regrettably this industry is prone to periods of expansion and contraction. At present the high cost of fuel and structural changes in passenger trends is leading to contraction in this market, but the Government's Air Passenger Duty increases is not helping and making consumers think twice about a holiday. BALPA has a sequence of responses to deal with, starting with pressure testing the company's basic plan; then on reducing the number of jobs at risk; then finding ways to minimise compulsory redundancies and concludes with finding members alternative work. But our primary aim is to avoid any compulsory redundancy," he added. BALPA has confirmed that its members will be 'collectively and individually' supporting all pilot staff through the process.

Chief executive of Thomas Cook Mainstream Ian Ailles said: "The fleet reduction is one measure within our overall strategic and operating review of the UK business and demonstrates the decisive action that we are taking to improve the profitability of our UK business.

"The airline review has focused on leases, seasonal capacity and mainstream tour operator demand, as well as operational

IBA's Comment:

"UK holiday specialist airlines are clearly feeling the pressure from reduced spending habits - Monarch airlines is also consolidating its fleet and has cancelled its 787 orders. easyJet and Ryanair fly to most of the resort hub airports and are both reporting solid passenger growth."

- David Rushe

efficiency and profitability."

Thomas Cook has confirmed that it has asked 400 staff who currently work six days a week from 8am to 8pm to work a new seven day week with shifts until 10pm on a shift basis.

The announcement comes after a disastrous year for the holiday giant, which is merging its high street network with Co-operative Travel in an effort to save £35m a year.

In August its chief executive Manny Fontenla-Novoa resigned after the firm issued three profit warnings in the last year. The group is in the middle of a strategic review of its UK business as it looks at the mix of holidays it offers and the utilisation of its airline fleet.

It is also pushing ahead with a £200m asset disposal programme to cut borrowings.

Source: Thomas Costello, uk.ibtimes.com- 8th September 2011

Macquarie plans £3.7bn bid for RBS Aviation

Macquarie Group, the Australian banking and infrastructure business, is understood to be preparing a bid for the aircraft leasing business of Royal Bank of Scotland in a deal expected to fetch around £3.7 billion.

The deal for RBS Aviation Capital would mark the single largest disposal for the 82% taxpayer-owned Edinburgh-based bank, since it took £45.5bn in Government aid during the financial crisis.

The prospect of the sale emerged on Tuesday in the Australian Financial Review, which quoted people close to the deal as saying Macquarie had looked at several options, including making a direct offer for the whole business, parts of the business or putting together a consortium to bid for the assets.

Initial offers for the business, valued between £3.7bn and £5bn, are expected by the end of the week. A successful bid would make the Australian group the world's third-largest plane leasing operator.

RBS Aviation Capital provides a range of aircraft financing services, including debt and operating leases, and was created and built through the acquisition in late 2000 of advisory firm

"Initial offers for the business, valued between £3.7bn and £5bn, are expected by the end of the week. A successful bid would make the Australian group the world's third-largest plane leasing operator."

IAMB. It now comprises a fleet of 260 aircraft.

Based in Dublin, the unit focuses on working with low-cost carriers and now has 100 airline customers and 36 investor customers in 38 countries. It has also turned profitable this year.

It emerged earlier this year that Domhnal Slattery, founder and former Chief Executive of RBS Aviation, had been barred from the bidding process for unit.

Royal Bank is offloading the aviation business, deemed its strategy of selling off its non-core assets, and in 2009 the lender hired Goldman Sachs to look at its options for a sale.

However, pursuit of a sale was put on hold until earlier this year because of poor market conditions.

Macquarie already controls a substantial global aviation business. Macquarie AirFinance owns or manages 161 jets that it leases to 85 operators in 44 countries.

Last April, Macquarie paid \$1.7bn for a portfolio of aircraft from International Lease Finance, a subsidiary of American International Group.

Source: Mark Smith, heraldscotland.com - 7th September 2011

Airbus on pace for orders record

Airbus could have a record-setting year for aircraft orders if the jet maker keeps up its scorching sales pace.

Through the first eight months of 2011, Airbus has secured 1,015 net aircraft orders. The Toulouse, France-based company added 234 orders to its backlog in August, according to a recent update on its website.

The bulk of Airbus' orders this year are for its single-aisle A320 aircraft, to which the company is adding new engines. Airbus has 978 net orders for the A320 family, which includes some orders for the existing jet but most orders are for the A320 new engine option, or A320Neo.

Airbus has outpaced rival the Boeing Co. in jet orders so far. Through Aug. 30, Boeing had logged 370 net orders.

Boeing's board recently approved its move to re-engine its

“Airbus has 978 net orders for the A320 family, which includes some orders for the existing jet but most orders are for the A320 new engine option, or A320Neo.”

single-aisle 737. The Chicago-based jet maker is calling its revamped aircraft the 737 MAX. Boeing says it has 496 tentative orders for the 737 MAX. Once the orders are finalized and added to Boeing's backlog, its jet sales for the year will be closer to Airbus' but still behind its rival.

However, Airbus still hasn't finalized all of its tentative deals for the A320Neo. Airbus' sales record came in 2007 when it won 1,341 net orders. Boeing also set a sales record in 2007 with 1,413 net orders.

Airbus also said it delivered 36 aircraft in August, bringing its year-to-date delivery total to 334 aircraft. Boeing hasn't released its August delivery figures. But the company had delivered 260 jets through July. Boeing will add two significant deliveries to that total this month with the first deliveries of the 747-8 freighter on Sept. 19 and the 787 on Sept. 26.

Boeing's shares dropped \$1.26 Tuesday to close at \$62.77.

Source: Michelle Dunlop, heraldnet.com - 7th September 2011

U.K.'s Monarch Airlines cancels 787 order

Monarch Airlines, a British tour company that operates cheap vacation flights to European destinations, cancelled its order for six Boeing 787 Dreamliners on Tuesday.

The order was worth \$916 million at list prices when announced in 2006.

The cancellation reduces the Dreamliner order book to 821 aircraft.

Last year, Boeing selected Monarch as a partner in the U.K. to perform maintenance and repair of 787s at its London and Manchester bases as part of the GoldCare service to support carriers flying the Dreamliner.

In a statement, Monarch said the order cancellation would not affect that engineering support agreement.

Source: Dominic Gates, seattletimes.nwsourc.com - 7th September 2011

“The
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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

- 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
- 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 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

Mike Yeomans joins the IBA Group as Aviation Analyst

Mike Yeomans joined the International Bureau of Aviation in September 2011 as an Aviation Analyst in the Commercial Team. His role focuses on aircraft and fleet valuations and appraisals, along with industry expertise and analysis.

Mike is a graduate of Kingston University, London, with an honours degree in Aircraft Engineering. During his time at Kingston, Mike studied areas such as Aircraft Maintenance and Logistics, Business Applications in Engineering and Airline Economics. With increasing extensive use of advanced composite materials in aircraft design in recent years, Mike decided to base his final year project studying the effects of composite material type and laminate design on impact strength. Before enrolling at Kingston, Mike attended KLM UK Engineering technical college in Norwich where he completed all examinations required of a B1.1 licensed engineer in accordance with EASA part 66.

Phil Seymour's Notes on the Week

9/11, ten years on - A time for reflection.

This weekend, our thoughts are with those who lost their lives ten years ago.

It is one of those events where we all know where we were when we heard the unbelievable was happening.

I felt like I had a close shave that day, I boarded a Delta flight at 0830 from Washington Dulles to Atlanta and landed at 1030 to a panic stricken Atlanta airport (not that we knew anything at all until we had disembarked).

I spent the next 3 days in a daze whilst also planning my escape from the Quality Inn close to the airport, similar to hundreds of thousands of other travellers. The bottom line was I was just thankful I suppose, the inconvenience of being displaced for a few days was insignificant compared to the horror that had been endured in the aircraft, the towers, the pentagon and the surrounding areas.

I suspect the next ten years will pass by even faster than the last ten years. We will not forget 9/11. I hope it will remain as the worst crime I have known, I don't want to contemplate that there could be a single worse day in our lives.

BUT we must look forward as well and with the Northern Hemisphere Summer coming to a close the aviation conference season kicks off at ISTAT Barcelona on the 18th Sept.

I will be making a quick visit to Boeing in Charleston next week and will come back full of all the info on the 737 MAX! (I hope)

Phil



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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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