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Thomas Cook suspends flight insurance for 'flight-only' passengers

The European holiday provider Thomas Cook has recently suspended its 'supplier failure' insurance for flight-only travel, due to a withdrawal of cover by the firm Northern & Western Insurance Company on the 22nd of November.

The result of this to customers who booked these flights is that they will have to get independent insurance to protect them if there is trouble with their flights.

This comes as the company announced on November 24th that it would not release the year's profit figures due to financial complications. The airline has asked to borrow an additional £100 million, whilst there are rumours that the firm will have to close 200 of its outlets.

Retailers who sell Thomas Cook holidays have said that the move took them by surprise, and they were dismayed to find out that they were selling the company's products without realising that they no longer carried insurance.

One firm, Hays Travel, which sells Thomas Cook's holidays, has stopped selling these products, saying that selling uninsured holidays would leave their customers vulnerable. The company's Managing Director, John Hays, said that there was no alternative to this decision, and that if the flight failure insurance was re-instated, then they would begin selling them again. Hays went on to say that they have no issue with the company, and that if Thomas Cook went bust, it would mean a great deal of trouble for the entire sector.

The director of financial services at the travel company Advantage, David Sharp, said that he expects Thomas Cook to reinstate the insurance after the company has secured the second wave of loans which it is seeking.

Northern & Western Insurance Company's UK general sales agent Philip Radley said that he expects the insurance to become available on Monday or Tuesday of next week, describing the possible failure of Thomas Cook as "inconceivable".

Thomas Cook's shares lost a great deal of value after it announced new borrowing from a syndicate of 17 major banks.

As Thomas Cook suspends insurance for 'flight-only' holiday products, fears will grow in Europe and the United Kingdom over the future of the company. The firm has gained the label 'too big to fail', in that the banks have lent it so much that if the firm were to go bust it would cause serious problems for the investors.

Travel companies and investors will await Thomas Cook's profit figures, when they are finally released, with great expectation.

Source: pabnews.com - 25th November 2011

MASwings needs bigger fleet to make international flights a reality

For Malaysia Airlines subsidiary MASwings to be a regional airline, according to the Sarawak government's intentions, then it will need at least four jet aircraft.

MASwings presently only has turbo propeller planes and operates the rural air services segment in Sarawak and Sabah. Last Monday, it received the green light from federal decision makers to fly international destinations.

State Tourism Minister Datuk Amar Abang Johari Tun Openg, who was addressing the lack of air connectivity to Sarawak during a press conference here on Thursday, said MASwings needed a bigger fleet.

Although he was pleased MASwings would commence its Pontianak-Kuching-Brunei flights next January, he said MASwings ought to also take up routes to Singapore and Hong Kong. The two hubs, Johari said, were key to European travellers and those from the US.

"From the US, their transit points are Hong Kong and Tokyo. For Europeans, their transit is usually Singapore. We are right in the middle of all those places. We need to be connected to those hubs," Johari told reporters.

Johari said MAS was plagued by "problems at the moment".

"In my personal opinion, MAS should concentrate on international routes, and then leave domestic and closer

IBA's Comment:

"With AirAsia, there would be strong competition for an international MASwings operation. On the plus side, the region is seeing passenger growth and there is no shortage of candidate aircraft for an expanded fleet."
- David Rushe

regional routes to other carriers, like MASwings.”

Johari added that MAS needed to have more “lean” expenditure.

Sarawak’s air connectivity has been a perennial problem, which was made worse when another MAS subsidiary, Firefly, began cancelling routes between the state and Peninsular Malaysia recently.

The move left tourism players statewide fuming with the about-turn, as Firefly had been promising continuity and further expansion in Sarawak. Firefly’s unexpected pullout was the result of a massive flight rationalisation exercise between MAS and AirAsia.

That exercise was the result of a shareswap deal, announced in August, after MAS posted woeful financial results.

Source: thestar.com.my- 25th November 2011

195 homegrown C919 jets have been ordered

BoCom Leasing on Wednesday signed a deal with Commercial Aircraft Corporation of China (COMAC) to buy 30 of the nation's homegrown C919 large passenger planes.

The financial leasing arm of China's Bank of Communications (BoCom), the nation's fifth largest lender, signed the new order as it sought to expand its fleet size to cash in on the country's rapidly growing demand for air services.

The deal is also a boost for COMAC as the newcomer looks to compete with dominant passenger plane makers Airbus and Boeing to win a slice of the international aviation market share.

Neither side revealed the value of the order.

The new deal brings the total order of C919 passenger jets to 195.

At the Zhuhai Airshow last year, COMAC received its first orders for a total of 100 C919s from Air China, China Southern Airlines, China Eastern Airlines, Hainan Airlines, CDB Leasing and GE Capital Aviation Services.

Last month, ICBC Leasing ordered 45 C919 passenger jets and Sichuan Airlines ordered 20 from COMAC.

“The financial leasing arm of China's Bank of Communications (BoCom), the nation's fifth largest lender, signed the new order as it sought to expand its fleet size to cash in on the country's rapidly growing demand for air services.”

ICBC Leasing is the financial leasing arm of Industrial and Commercial Bank of China (ICBC), the country's largest lender.

COMAC has said it will develop both 168-seat and 156-seat models of the jet, with more models to be developed in the future.

It has also said that test flights for the single-aisle C919 are scheduled for 2014, and delivery is slated for 2016.

Source: Xinhua, chinadaily.com.cn - 24th November 2011

Banks, aircraft industry need Kingfisher Airlines

Several players have a stake in ensuring that the embattled Kingfisher Airlines, owned by liquor baron Vijay Mallya, does not sink.

Banks that have lent the airline money are looking at ways to save the airline as the large sums of money they have loaned to it are now at stake. Aircraft manufacturers such as Airbus and Boeing, too, are likely to take a huge hit if Kingfisher and State-owned carrier Air India cancel their orders to these companies.

Airbus and Boeing currently have multi-billion dollars worth of orders from Kingfisher and Air India. The latter's order of 27 Boeing 787 Dreamliners is pegged at an estimated Rs 20,000 crore, while Kingfisher ordered 127 aircraft from Airbus of which only half have been delivered till now.

"Any cancellation of these orders will mean a huge adverse impact on Airbus and Boeing as these are multi-billion deals. They will suffer badly," said an aviation industry analyst.

Director (aviation) of the global consultancy major, KPMG, Amber Dubey, said that any deferment or cancellation of orders by Indian carriers will definitely hurt global aircraft suppliers. "Having said that, global suppliers do keep a close eye on the financial health of aircraft buyers and may have factored in such scenarios as part of their risk management plan," added Mr Dubey.

Financial institutions generally are on tenterhooks because of the dire straits the aviation sector is in. They have an

IBA's Comment:

"The manufacturers will have long since made arrangements for placing the Air India and Kingfisher orders elsewhere. They are cancelled as far as the manufacturers are concerned."
- Owen Geach

estimated exposure of Rs 7,000 crore to Kingfisher.

Mr Pratip Chaudhuri, chairman of State Bank of India, which has loaned the highest amount to Kingfisher, says it will be difficult for the bank to stop fresh loans to airline companies. "Maybe (we won't) lend to a new company, but with the existing clients you can't walk out. Otherwise, the existing exposure would come in jeopardy. It is difficult to shut off the tap," he said.

In this scenario, there are reports that banks may extend more short-term loans to Kingfisher to ensure that it is able to run its day-to-day business.

As for the government, it has not extended any bail-out to Kingfisher, though Prime Minister, Dr Manmohan Singh had expressed indirect support to Kingfisher when he said recently that "private sector airlines have to be managed efficiently, but if they do get into difficulties, we have to find ways to help them."

There is much opposition to government bailing out private airlines since this is not an essential service nor is it a sector that affects the poor.

Source: Pawan Bali, deccanchronicle.com - 23rd November 2011

"Having said that, global suppliers do keep a close eye on the financial health of aircraft buyers and may have factored in such scenarios as part of their risk management plan"

- Amber Dubey

WestJet flying to Big Apple

WestJet Airlines has its sights set on the Big Apple.

The Calgary-based airline announced on Wednesday it has won eight coveted landing slot-pairs for New York's LaGuardia Airport as part of a bidding auction held by the U.S. Federal Aviation Administration.

"This is a once-in-a-lifetime opportunity," said WestJet president and CEO Gregg Saretsky in a news release. "Our ability to now serve New York demonstrates we are focused on delivering on our business traveller strategy."

Each slot permits one landing and one takeoff each day, so WestJet will be able to offer eight round-trip flights.

It's not clear where in Canada the new flights will land.

WestJet is not saying how much it paid in the bidding auction

"Each slot permits one landing and one takeoff each day, so WestJet will be able to offer eight round-trip flights."

for the slots at LaGuardia, though Bloomberg is reporting it paid \$17.6 million (U.S.). The airline is now finalizing details to ensure U.S. customs pre-clearance from Canada. Exact schedules will be announced later.

Jeff Straebler, an independent aviation analyst in Stamford, Conn., called WestJet a “dark horse” of sorts.

“WestJet was always the credible dark horse at LaGuardia, given a strong cash position and its stepping up competition against Air Canada for ‘golden triangle’ traffic – Toronto, Montreal and Ottawa,” Straebler said.

“LaGuardia service to any of these cities will be a nice complement.”

The new flights will put the discount airline in direct competition with Air Canada, which was not permitted to bid because it already flies out of the airport.

WestJet has offered service to the New York area, but the final leg from Toronto to New York’s John F. Kennedy airport was on partner American Airlines.

Air Canada currently flies 13 round-trips between Toronto and LaGuardia on weekdays as well as several round-trip flights between Ottawa and Montreal to the New York airport.

In addition, Air Canada also flies to nearby Newark, N.J., from Toronto, Montreal, Vancouver and Calgary.

JetBlue was the other winning bidder - getting eight landing slot-pairs at LaGuardia and also eight for Washington’s Ronald Reagan National Airport. It paid \$72 million (U.S.) for those slots, \$40 million for Reagan and \$32 million for the New York airport.

Porter Airlines did not take part because it does not have U.S. pre-clearance ability for flights out of the Toronto island airport.

Flights at both LaGuardia and Reagan are capped by U.S. federal rules, so airlines must buy or trade landing rights to expand.

Delta Air Lines Inc. was required to give up the landing and takeoff rights to win U.S. approval for a trade of slots with US Airways Group Inc. at the two airports.

Source: Vanessa Lu, thestar.com - 23rd November 2011

“JetBlue was the other winning bidder - getting eight landing slot-pairs at LaGuardia and also eight for Washington’s Ronald Reagan National Airport.”

American Airlines' order for 130 Airbus aircraft launches massive fleet renewal plan

American Airlines launched its \$13 billion fleet renewal program on Monday with orders for 130 Airbus A319 and A321 aircraft, which it will begin taking deliveries of in 2013, company executives said.

The 124-passenger A319 and 185-passenger A321 are fully financed through lease transactions with Airbus and are part of a massive fleet renewal plan announced by American in July.

American's fleet renewal plan could include \$38 billion worth of orders and options for 925 Airbus and Boeing aircraft over 14 years, American executives said.

"We are aggressively moving forward with our plans to have the youngest, most fuel-efficient fleet in the U.S. in the next five years," said Tom Horton, president of American and its parent, AMR Corp.

"The A319 and A321 aircraft will strengthen our fleet, helping us dramatically improve our fuel and operating costs, while at the same time offering our customers the chance to fly in aircraft that are designed to greatly enhance their travel experience."

The narrow-body Airbus and Boeing 737 aircraft American proposes to add to its fleet are up to 35 percent more fuel efficient than the 200 MD-80s that are the backbone of its 617-aircraft fleet today, company officials said.

Airbus and Boeing have agreed to \$13 billion in financing for the first 230 aircraft delivered, American executives said.

The off-balance sheet financing and the fuel efficiency of the new planes are significant because the Fort Worth carrier is projected to spend more than \$8 billion on aircraft fuel and post its fourth straight annual loss in 2011.

"This new fleet will dramatically improve our fuel and operating costs while enhancing our financial flexibility," AMR Chairman and CEO Gerard Arpey said in July as he disclosed the fleet renewal plan.

American spokeswoman Andrea Huguely said the company has not determined what routes the A319 and A321 will fly or where they will be maintained.

The 737s and American's former Airbus A300s - the last of which

"American's fleet renewal plan could include \$38 billion worth of orders and options for 925 Airbus and Boeing aircraft over 14 years"

was retired in 2009 - were maintained, repaired and overhauled at American's Maintenance & Engineering Center, which employs 7,000 people at Tulsa International Airport.

The A319 will be powered by the CFM56-5B engine from CFM International, a joint venture between General Electric and Snecma, an aircraft engine manufacturer based in France.

The A321 will be equipped with V2500-A5 engines from International Aero Engines, a joint venture between Pratt & Whitney; Rolls-Royce; MTU Aero Engines GmbH, Germany's leading aircraft engine manufacturer; and Japanese Aero Engine Corp.

The financial terms and conditions of the CFM56-5B and V2500-A5 engine purchases are not being disclosed by the companies, officials said.

CFM President and CEO Jean-Paul Ebanga said his company appreciates American's confidence in the CFM56 product line.

"American is one of our largest CFM56-7B customers, and we are pleased to introduce the CFM56-5B into its fleet," Ebanga said. "We are honoured to be given this opportunity to be part of their long-term fleet strategy and to continue our very successful relationship with American."

IAE Executive Vice President Jim Guiliano said his company looks forward to participating in American's fleet renewal.

"We look forward to supporting these engines that provide the lowest fuel burn cost and overall emissions, and lowest noise levels on the A321 aircraft," Guiliano said.

American also is strengthening its Boeing fleet, with plans to acquire 200 additional aircraft from the 737 family - the airline operates more than 150 of those aircraft today - with options for another 100 737 variants.

As part of the Boeing agreement, American plans to take delivery of 100 aircraft from Boeing's 737NG (Next Generation) family, starting in 2013, including three 737-800 options that had been exercised as of July 1.

Source: D.R. Stewart, tulsaworld.com - 22nd November 2011

IBA's Comment:

"The split engine choice on the aircraft order reflects a growing trend amongst operators whereby they are keen to see the benefits of lower maintenance costs on the CFM56-5B on short sectors and the lower fuel burn of the V2500-A5 on longer sectors."
- David Rush



IBA Group News

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

Conference Dates

7th - 8th December 2011 - Managing Aircraft Maintenance Costs Conference, London - Phil Seymour will be speaking
24th - 26th January 2012 - Euromoney 14th Annual International Aviation Finance Conference, Dublin - IBA is sponsoring and will be speaking - IBA's Phil Seymour, Owen Geach, Steve Fisk and Dr Stuart Hatcher will attend
7th - 8th February 2012 - 2nd Annual International Corporate Jet and Helicopter Finance Conference, London - Phil Seymour, Owen Geach, Ben Jacques and Mark Wooller will attend

Phil Seymour's Notes on the Week

Who would want to run an airline?

So Thomas Cook has admitted to needing help and another UK airline (relatively small but not insignificant) called Astraeus had to hand itself over to the Administrators this week.

The press has been full of Kingfisher stories for weeks so I have to ask who on earth would want to run an airline?

I hope there are many takers as the bottom line is that it is the airline teams who need the rest of us to provide the support services.

It just seems to be a pretty thankless task in the present environment.

Changing subject now, it is my first mention of Arsenal for many weeks simply because I only like to mention them when doing well. The first of the UK teams to qualify for the European Champions' League group stages after beating Borussia Dortmund 2-1 on Wednesday. Just two months ago Arsene Wenger was on his knees in desperation at the poor results. Now it seems he can walk on water. Perhaps he could run an airline?

Phil

Publications - 2011 Editions

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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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