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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](http://www.ibagroup.com)

## IAG to Take bmi for £172.5 Million

International Airlines Group (IAG), the owner of British Airways and Spanish carrier Iberia, has landed the takeover of bmi with a £172.5 million bid. The deal is due to give the airline group more than half of the takeoff and landing slots at Heathrow Airport. However, the deal still has to get regulatory approval, as the group already holds the majority of the airport's slots, at 44%. After taking over bmi's 56 slots, it will hold 53%.

With the news, Virgin Atlantic founder Sir Richard Branson, who was also bidding on the Lufthansa-owned carrier, has promised to fight the deal as he encouraged the European Competition Commission to block the agreement. He argues that the deal cuts choices for consumers and puts the travelling public at a disadvantage. British Airways already dominate at Heathrow, and their stranglehold at the international hub will be tightened with the removal of bmi.

However, IAG Chief Executive Willie Walsh says that he doesn't pay any attention to the comments that Sir Richard makes. He talked about an immediate need to restructure bmi - a carrier that has proven disastrous for Lufthansa. This follows a €154 million operating loss at the airline in the nine months to September 30.

Walsh says that a restructuring will mean job losses, but their purchase of the airline will protect more British workers from job loss than if the carrier had been simply shut down and had its slots at Heathrow sold off. There will be revamping costs spread over three years, but these will be greatly lower in total than the current annual losses at the company.

IAG will be able to use the slot portfolio held by bmi more efficiently, Walsh added, with the option to launch new long-haul services to key trading countries while supporting the group's broad short-haul and domestic network. The group signed a binding agreement for the deal on Thursday and says that it anticipates the acquisition will add to earnings per share by 2014 and raise target 2015 operating profits by over €100 million.

IAG Chief Financial Officer Enrique Dupuy De Lome Chávarri said during a conference call that they are optimistic the takeover will get approval from antitrust regulators. This is because rival European flag airlines are similarly dominant in their main domestic airport hubs. For

example, Lufthansa holds 66% of Frankfurt airport slots and Air France-KLM holds 59% of Paris-Charles de Gaulle airport slots.

Lufthansa was forced to takeover bmi in 2009 when the former owner, Lord Glendonbrook, exercised an option that saw him earn £223 million. The airline tried to revive the smaller carrier by focusing its routes on countries that serve the oil industry, but these efforts failed amid the political unrest in the Middle East. The slow growth in Europe didn't help either.

Source: news.carrentals.co.uk - 23<sup>rd</sup> December 2011

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## Firms Seal \$98 Million Worth Deal

Precision Air Services and ATR have signed a contract for the purchase of four ATR 42-600s and one ATR 72-600 aircraft. The deal is valued at \$98 million. Delivery of the 50-seat ATR 42-600s will start in late 2012 while the ATR 72-600 is scheduled for 2014.

With this acquisition, Precision Air Services will bring its fleet of ATRs up to 14 aircraft, thus becoming the largest operator of ATR aircraft in Africa. The current fleet of ATRs of Precision Air Services includes five ATR 72-500s, two ATR 42-500s and two ATR 42-300s. With the introduction of these five brand new ATR '-600 series' aircraft, the carrier will further increase its regional presence. This fleet expansion will allow the airline to offer its passengers the advantages and comfort of the new ATR -600 series 'Armonia' cabin.

Commenting on the deal, Mr Michael Shirima, the Chairman of Precision said; "We have been operating ATR aircraft for years, and we are convinced of their suitability for our regional routes. They are perfectly adapted to the hot climate in Africa, and feature optimal performance in smaller airfields and unpaved runways. Also, they provide us the lowest operating costs, thus strongly contributing to the development of regional aviation in our country."

Alfonse Kioko, Group Managing Director and CEO added, "The very low fuel burn and the high dispatch reliability of the ATR aircraft are helping us to maintain the level of ticket price necessary for the very strong competition in our market."

ATR and Precision Air Services set up in 2006 a joint-partnership for certified aeronautical maintenance training for

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-Alfonse Kioko, Group Managing Director and CEO, Precision Air Services

some selected Tanzanian students. Each student spends three years being trained at the Aeronautical Technical School in Toulouse, France, and then joins Precision Air Services' maintenance crew in Dar es Salaam, Tanzania.

So far, 12 students have already completed their training and joined the airline. Other additional 24 students are currently being trained or programmed in the coming years. ATR has today 110 aircraft in operation and on order with African and Middle East carriers and is established in 25 countries of the region.

Source: thecitizen.co.tz - 22<sup>nd</sup> December 2011

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## Air France Enters Agreement to Repair Libyan Airliners

Paris-based carrier Air France has signed a deal with two Libyan carriers to repair aircraft damaged in recent months.

Air France officials said on Wednesday that the firm was working with Libyan Airlines as well as Afriqiyah Airways in the effort of getting their fleets back in the sky following damaged suffered amid the overthrow of Muammar Gaddafi.

Afriqiyah's official statement said the company had resumed its previous agreement with the Engineering & Maintenance division of Air France KLM Industries to provide support for its fleet of Airbus A330 and A320 aircraft. The deal, first signed in 2008, had been put aside for about a year due to political turmoil in the North African country.

This comes alongside a new five-year contract with Libyan Airlines for repairs and maintenance in regards to its seven A320s, three of which have not yet been delivered.

Air France is also set to resume its route to Tripoli as soon as safety and operational requirements are in place, the company said.

Pierre Lellouche, the French trade minister, said during a visit to Libya this week that France-based Airbus, which is part of defence and aerospace group EADS, had once again entered talks to deliver new aircraft to Libyan companies after the fall of the Gaddafi regime.

Source: Wes Lane, comparecarhire.co.uk - 22<sup>nd</sup> December 2011

"Afriqiyah's official statement said the company had resumed its previous agreement with the Engineering & Maintenance division of Air France KLM Industries to provide support for its fleet of Airbus A330 and A320 aircraft."

## American Eagle to Stop ATR Service Out of DFW, Drop Some Routes

American Eagle will stop flying its ATR-72 turboprop aircraft out of Dallas/Fort Worth International Airport by January 31<sup>st</sup>, American Eagle's President and CEO Dan Garton told employees Tuesday.

"Eagle will continue to serve the 14 ATR markets from DFW with a combination of EMB-140 and EMB-145 jets," Dan Garton said in a letter. "We anticipate that the remaining ATR aircraft will continue to operate in Miami and San Juan for the near term."

As part of the route changes, American Eagle will:

- Discontinue seasonal service from Dallas/Fort Worth Airport to Augusta, Ga.
- Reduce frequency "in a few select markets"
- Stop flying from Miami to Fort Myers, Fla., and Savannah, Ga. (American will fly DFW-Fort Myers and American Eagle will fly DFW-Savannah)

Three routes that were to be cancelled on February 9<sup>th</sup> - Los Angeles-Boise, Chicago-Calgary and DFW-Fayetteville, N.C. - will be moved up to January 31<sup>st</sup>.

"We plan to notify the affected airports, customers and community leaders shortly," Garton said.

Garton had no updates on the number of employees who may be furloughed as a result of the cutbacks. A week ago, American Eagle sent out a WARN letter saying that up to 223 pilots and flight attendants could be impacted.

"Clearly, the timing of this announcement so close to the holidays is unfortunate - but we are committed to sharing information with you as soon as we can. We regret the impact on our people - not only the DFW-based Executive Airlines employees and those who work in support of that operation who are directly affected, but the other employees who may also be impacted through displacement," Garton said.

"Since we advised everyone at Eagle and Executive of a possible reduction in my letter last week, we have been working to define the exact number of employees who might ultimately be affected," he added. "We will continue to update you and will provide employees who are impacted by the changes with all of their options in early January."

"Eagle will continue to serve the 14 ATR markets from DFW with a combination of EMB-140 and EMB-145 jets - We anticipate that the remaining ATR aircraft will continue to operate in Miami and San Juan for the near term"

-Dan Garton,  
President and  
CEO at American  
Eagle

The ATR-72, also known as the Super ATRs, carry 64 or 66 seats, depending on the configuration. In addition to the 15 to be parked, the company is permanently grounding six ATR-72s that are currently not flying.

Source: Wes Lane, comparecarhire.co.uk - 22<sup>nd</sup> December 2011

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## Kingfisher to Join 'oneworld' Airlines' Alliance Next Year

Kingfisher Airlines will become part of the global airlines' alliance 'oneworld' with effect from February 10<sup>th</sup> next year. The Vijay Mallya-owned carrier would become the first airline from the subcontinent to join any of the global airline groups, the two others being 'Star Alliance' and 'SkyTeam', spokespersons of the airline and the alliance said.

Besides Kingfisher, airberlin and Malaysia Airlines are also set to join the 'oneworld' alliance next year. Air India's bid to join the Star Alliance has fallen through for the time being after the grouping suspended the joining process of the national carrier earlier this year, claiming non-fulfilment of various conditions.

Kingfisher received a green signal to join the alliance last week after successfully completing a thorough review of its readiness conducted by British Airways, which is sponsoring its entry into the alliance, with the 'oneworld' central team, they said.

Joining a global alliance gives an airline the benefit of the combined strength of all member airlines across the world, providing seamless travel to the passenger in any destination across the joint network.

From February 10<sup>th</sup>, Kingfisher would be offering the full range of services of the alliance and substantially expanding the alliance network throughout India, the spokespersons said, adding it would enable the private carrier to strengthen its competitive offering and financial position.

Currently, seven of oneworld's partner airlines - American Airlines, British Airways, Cathay Pacific, Finnair, Japan Airlines, Qantas and Royal Jordanian - serve the Indian cities of Delhi, Mumbai, Bangalore, Chennai and Hyderabad.

Source: moneycontrol.com - 19<sup>th</sup> December 2011

“Kingfisher received a green signal to join the alliance last week after successfully completing a thorough review of its readiness conducted by British Airways, which is sponsoring its entry into the alliance, with the 'oneworld' central team”

## **Etihad Airways Becomes airberlin's Biggest Single Shareholder**

UAE carrier Etihad Airways said it has agreed to increase its stake in airberlin, Europe's sixth largest airline, to 29.21 per cent, becoming airberlin's largest single shareholder.

The strategic move, announced on Monday in Berlin by Etihad Airways Chief Executive Officer James Hogan and airberlin CEO Hartmut Mehdorn, connects the airlines' extensive networks and frequent flyer programs to offer travellers 239 destinations across 77 countries.

Hartmut Mehdorn said: "The strategic partnership with Etihad Airways opens up enormous opportunities for the future of our company."

"This applies especially to future market development and the realisation of synergies," Mehdorn said. "One of the key components of the new partnership is the launch of airberlin services to Abu Dhabi, which will become our new gateway to Asia and Australia."

The agreement with Etihad Airways will also dramatically improve the global connectivity of our customers in Germany, Switzerland, Austria, and throughout the GCC and Middle East," Mehdorn said.

"This new partnership expands our network reach, gives us access to 33 million new passengers, and provides us with a real opportunity for global growth. Through airberlin, we gain immediate access to a broad and complementary European market, with outstanding connectivity options for customers of both airlines."

"Our partnership strategy has been integral to our success over the past eight years, and the returns we have seen from this strategy have confirmed its value."

"We are always looking for ways to grow and partnerships are a smart way to enhance our ability to compete on the world stage."

"We now have a portfolio of 34 quality airline partners, but this is our first equity investment in another airline. It is a sign of our confidence in airberlin's management and in the carrier's potential to grow with us."

We expect such growth will also offer a host of additional employment opportunities, both in Europe and the United Arab Emirates," Hogan said.

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Through airberlin, we gain immediate access to a broad and complementary European market, with outstanding connectivity options for customers of both airlines."

- Hartmut Mehdorn, CEO airberlin

"Etihad Airways and the airberlin group carry a combined total of more than 40 million passengers a year, operate 233 aircraft, and employ 18,000 people. Together, the companies generate more than \$9 billion in revenues."

"We estimate each airline could achieve incremental revenues of between EUR 35 million and EUR 40 million just in the first year, and we believe the partnership has enormous potential to unlock a range of efficiencies."

Under the partnership: airberlin will transfer its Middle East operation from Dubai to Abu Dhabi; airberlin will operate four A330-200 flights a week between Berlin and Abu Dhabi from January 15<sup>th</sup>, 2012 - with European travellers having immediate access to a total of 29 flights a week to and through Abu Dhabi from four German hubs, with a plan to increase to 42 flights from mid-April; the airlines will implement an extensive codeshare agreement, with Etihad Airways codesharing on 36 of airberlin's 171 destinations and airberlin codesharing on 24 of Etihad Airways' 82 passenger destinations, and plan further expansion of the pool of codeshare routes; Etihad Airways will sign codeshare agreements with the airberlin group for all European activities including NIKI, the Austrian airline, and Belair, the Swiss airline; and Etihad Guest and topbonus, the airlines' frequent flyer programs, will be integrated, enabling passengers of both airlines to 'earn and burn' on each other's flights and offering reciprocal benefits - including status earning - to top tier members.

Under the agreement, Etihad Airways will have two seats on the Board of Directors of the Air Berlin PLC.

The two companies will seek anti-trust immunity, which would allow greater coordination of route networks and of sales and marketing activities.

Airberlin and Etihad Airways are committed to creating a joint procurement taskforce to look for cost efficiencies across the two companies, including areas such as fleet procurement and deployment, maintenance, repair and overhaul (MRO) and general procurement.

Etihad Airways' minority stake will consist of 27.03 per cent from a new share issue by Airberlin, funded from operational cash flow, and an existing interest of 2.99 per cent (pre-dilution), which will amount to a total interest of 29.21 per cent. The new shares will be issued at a price of 2.31 euros.

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## IBA Group News

Press Releases & Presentations can be viewed in the News & Views section of our website, [www.ibagroup.com](http://www.ibagroup.com)

### Conference Dates

24<sup>th</sup> - 26<sup>th</sup> 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

7<sup>th</sup> - 8<sup>th</sup> 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

Happy Holidays! Nothing more to say until the new year. Have a good one everyone!!!

Phil

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**Compiled & Edited by Mike Yeomans**

**[www.ibagroup.com](http://www.ibagroup.com)**

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

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