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Newsletter

Market Comment

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Several Factors Are Driving New Orders. The transfer of wealth from western economies to Asian ones are raising disposable incomes in Asia and promoting traffic growth among low-cost carriers in the region. The legacy airlines in the U.S. need to ground their oldest airplanes and re-fleet with the more efficient new ones. These factors encouraged **Airbus** and **Boeing** to refit their hot-selling narrowbodies with new fuel-sipping engines. The desire for efficiency in the face of rising jet fuel prices prompted airlines to order 1,384 A320neo family and 451 737 MAX aircraft since December 2010. This wave of orders saved the Western aircraft manufacturers from the doldrums that hold the static western economies. At this moment, **Boeing** lags behind **Airbus** because it started later, launching the 737 MAX in August 2011, nearly 10 months after **Airbus** started selling the A320neo. **Airbus** won 200 A320neo orders from **AirAsia**, sold 150 aircraft to **IndiGo**, and 130 to **American Airlines** in mid-2011. At the **2011 Paris Airshow**, **Airbus** announced orders from **GECAS**, **GoAir**, **LAN Airlines**, **Scandinavian Airlines** and **TransAsia Airways**, as well as commitments for 83 A320neo aircraft from **Air Lease Corporation** and **AviancaTaca**. **Airbus** announced another 130 orders and 105 commitments at the **Dubai Airshow** in November. In 2012, **Norwegian** confirmed an order for 100 A320neos and **Cebu Pacific** picked up 30 A321neos. The A320neo Family backlog is worth approximately \$134.248 billion at list prices.

Indonesia's **Lion Air**, deliberately topped **AirAsia's** deal by buying 201 737 MAX planes. **Norwegian Air Shuttle** ordered 100 737 MAX and **Southwest** purchased 150 737 MAX aircraft. **Boeing** claimed approximately 500 more commitments that need to be confirmed. The list price of the 737 MAX-8 is \$95 million, so the firm backlog is worth approximately \$42.845 billion. **Boeing** forecast that it would catch up to and surpass **Airbus'** sales totals this year, while **Airbus** predicts it will sell 300 A320neos. The airline industry press expects **United Continental** to buy up to 200 737 MAX. Both **Delta** and **American** placed firm orders for 100 737NGs last year. They may upgrade to the 737 MAX.

There are some clouds above the manufacturers' bright silver linings. **American** ordered both the A320 and the 737, but it is in bankruptcy and may be the target of a takeover by **US Airways**. **Delta** is acquiring more than 100 used 717s and MD-90s to replace their regional jets and antiquated DC-9s. Those relatively new jets will not be replaced any time soon. **Norwegian** split its 200 plane order equally between the

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A320neo and the 737 MAX. That airline is fast growing, but is based at the northern fringes of Europe, in a country with only 5 million people. It may be hard to fill all those planes. Both **Go Air** and **IndiGo** are adding capacity in a fast growing market, but one where yields are so low that no one can earn a profit. The growth bubble may burst in Southeast Asia as well, with **AirAsia** and **Lion Air** having backlogs of 275 and 345 new narrowbodies respectively. Traffic growth in South America seems solid where the leading airlines, **Avianca/TACA** and **LAN/TAM**, have 51 and 154 single-aisle planes on order respectively.

Lessors and airlines can expect the values of their standard A320s and 737NGs to drop like stones after the A320neo and 737 MAX aircraft are delivered after 2015. There are still approximately 1,935 A320 Family and 2,190 737NGs on order. These are roughly valued at \$170.861 billion and \$185.055 billion respectively at list prices. The last ones to be delivered will probably be worth half the purchase price the day they are delivered because the used market will be flooded with high-quality, low-time sister ships. Some optimists in the industry believe resale values will hold firm because **Airbus** and **Boeing** will convert their production to the new models gradually. However that means the manufacturers must discount the last standard planes heavily to move them out the door. This keeps the production line moving smoothly but does little for the manufacturer's profitability. Airlines would rather pay more for the most fuel-efficient planes rather than fly the older and less environmentally friendly models. The manufacturers need a smooth transition between models and will want to fill production slots with old technology planes whenever possible, but what are they willing to pay? Some analysts think the airframers will bundle new models with old ones in their sales presentation, perhaps a "buy nine new ones and we will toss in an old one for free" program.

Airbus Orders

Airbus Sold Only Three Airliners in March – the second month of less-than-double-digit sales. The manufacturer and airlines may be waiting to announce some big orders at the **Farnborough International Airshow** in July. The sales of one A330-200 and one A330-300 to **Air Lease Corporation**, and the first ACJA318 Elite to a Japanese VIP customer, raised **Airbus'** sales total to 100. The manufacturer lost four previous orders in March, including one ACJ318 Elite, one A330-200, and two

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A330-200Fs, lowering the year's total sales to 90. **Airbus** delivered 47 new jets during the month and brought the year's total deliveries to 131. The manufacturer handed over 41 A319s, A320s and A321s to international customers along with two A330-200 and four A330-300 widebodies to one lessor and five airlines. It did not deliver any A380s in March because it slowed production in order to incorporate improvements into the aircraft, **Airbus** said.

In April, the European Company sold another ACJ318 Elite to an unidentified private customer. The ACJ318 is the newest and smallest member of its corporate jet family, and typically seats up to 19 passengers. **Garuda Indonesia Airways** ordered 11 extended-range A330-300s, featuring the 235-ton maximum take-off weight. The purchase marked the third time the Indonesian flag carrier has ordered the A330 since July 2010. The new sales, minus seven A350-1000 cancellations, brought **Airbus'** net orders to 95 aircraft as of the end of April. The manufacturer delivered one ACJ318, two A319s, 33 A320s, and four A321s to customers worldwide. Other notable deliveries in April were one A330-200F to **Malaysia Airlines**, as well as five A330-200s and five A330-300s to lessors and airlines. **Singapore Airways** received its 17th A380 on April 2, bringing A380 deliveries to 72 through April 30. In the first four months, **Airbus** delivered 183 aircraft to 60 customers. It represents an increase of nearly 10 percent from the same period last year.

Garuda Indonesia, the national carrier of Indonesia, ordered 11 more A330-300s in April. The A330s are due for delivery between 2013 and 2017. The airline purchased a total of three A330-200s and 24 A330-300s, and has 21 of them in backlog. All the A330s will be powered by **Rolls-Royce** Trent 700 engines. **Garuda's** latest order is for the extended range, 235-ton maximum take-off weight variant. The airline will operate the aircraft with a premium two class layout on services from its hubs in Jakarta and Denpasar (Bali) to destinations in Asia, the Middle East and the Pacific. **Airbus** has booked nearly 1,200 orders for the various versions of the A330, and more than 800 aircraft are flying with some 90

Airbus Orders, Deliveries and Backlog March 2012

MAR ORD	MAR DEL	MAR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
1	-0-	-1	80	76	4
			A319		
-0-	5	-0-	1,519	1,329	190
			A320		
-0-	29	-0-	5,654	2,939	2,715
			A321		
-0-	7	-0-	1,127	707	420
			A330		
2	6	-3	1,188	860	328
			A340		
-0-	-0-	-0-	377	375	2
			A350		
-0-	-0-	-0-	555	-0-	555
			A380		
-0-	-0-	-0-	253	71	182
This Month			This Year		BL
3	47	-4	90	131	4,396

Airbus sold 11,569 aircraft and delivered 7,173 as of March 31, 2012.

Total orders, deliveries and backlog include cancellations and order changes.

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operators worldwide. **Garuda Indonesia** said it has three A330 freighters on order for delivery by the end of 2013. The airline currently operates eight A330-200s and six A330-300s; the official *Airbus Orders and Deliveries* web page shows that **Garuda** has outstanding orders for three A330-200s and 18 -300s. It is possible that the airline will switch some of its passenger backlog to freighter aircraft. The airline said it plans to grow its fleet to 194 aircraft by 2015. This year, **Garuda** will take delivery of 21 airplanes, including four Boeing 737-800s, two A330-300s, 10 A320s and five Bombardier CRJ1000 regional jets; thus expanding its fleet to 105 airplanes.

Afriqiyah Airways Libya, will order another three A330s after it finalizes an agreement with **Airbus**. The carrier operates two A330-200s and will buy A330-300s for delivery in the second quarter of 2013. The Tripoli-based airline's A330-200s are fitted with **General Electric** CF6 powerplants. Some of **Afriqiyah's** fleet was damaged during the Libyan civil war a few months ago. **Sabena Technics** is carrying out maintenance C checks, modifications and structural repairs on the two A330s. **Sabena** was contracted to repair **Afriqiyah Airways'** planes in October 2011 to ensure the fleet would then re-enter service efficiently. It earlier repaired six A320s which were returned to service in Libya.

Airbus Built its First A320 with Sharklets. The airframer rolled-out SN 5098 from the Toulouse factory on April 28. It will be one of seven A320 Family aircraft to be used in the flight-test program. The approximately 600 flight hour program started in May and follows the successful 'early flight-test' campaign with the **Airbus** A320 prototype (SN 001). The newly-built A319s, A320s and A321s will be fitted with both CFM56 and V2500 engines so that each combination of aircraft model and engine will be tested for certification. A CFM56-powered A320 will be the first Sharklet-fitted plane to enter service in the fourth quarter of 2012.

Airbus Orders, Deliveries and Backlog

April 2012

APR ORD	APR DEL	APR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
1	1	-0-	81	77	4
			A319		
-0-	2	-0-	1,519	1,331	188
			A320		
-0-	33	-0-	5,636	2,972	2,664
			A321		
-0-	4	-0-	1,145	711	434
			A330		
11	11	-0-	1,199	871	328
			A340		
-0-	-0-	-0-	377	375	2
			A350		
-0-	-0-	-7	548	-0-	548
			A380		
-0-	1	-0-	253	72	181
This Month			This Year		BL
12	52	-7	95	183	4,349

Airbus sold 11,574 aircraft and delivered 7,225 as of April 30, 2012.

Total orders, deliveries and backlog include cancellations and order changes.

AirAsia's CEO, Tony Fernandes, told the press that the airline may buy another 50 standard A320s worth \$4 billion at list prices. The airline ordered 200 A320neos in mid-2011. Asia's largest low-cost carrier needs more capacity while it waits for the delivery of the more fuel-efficient A320neo in 2016. Mr. **Fernandes** said, "My sense is that we are short of aircraft and... we have to look at whether we buy or lease." He made his remarks at the delivery ceremony for **AirAsia's** 100th A320. The airline currently has 275 more on order. They will be delivered to **AirAsia**, Malaysia, and various allied airlines in Thailand, Philippines, Japan, Indonesia and Vietnam.

Boeing Orders

Boeing Sold 53 New Jets in March, and delivered an equal number of aircraft during the month. **Air New Zealand** purchased two more 787-9s, while **China Eastern Airlines** exchanged 24 existing 787 orders for 45 new 737-800s. That sale was announced in October 2011, while the cancellation was revealed in March. **TAAG Angola Airlines** added three 777-300ERs to its backlog, and **Air Canada** bought three 777-300ERs. That deal was listed for an **Unidentified Customer(s)** until early May. **Air Canada** currently operates 12 777-300ERs and now has five on backlog. **Boeing** also lost two 737NG orders. The manufacturer delivered 53 aircraft across its entire production programs, including 38 737NGs, two 747s, two 767s, eight 777s, and three 787s. **Japan Airlines (JAL)** received its first two 787 Dreamliners and they were the first 787s to be delivered with **General Electric** GENx engines.

Airbus Forecasts the Need for more than 2,000 new passenger aircraft in Latin America over the next 20 years. Air traffic in the region has nearly doubled in the last decade, and **Airbus** has tripled its in-service fleet. It delivered more than 60 percent of all aircraft operating in the region. To date, **Airbus** has sold more than 700 aircraft in Latin America and still has more than 350 aircraft to be delivered. The manufacturer foresees a requirement for 1,653 single-aisle, 334 twin-aisle and 41 very large aircraft (VLA), worth approximately \$200 billion at list prices. By 2030, the world's airlines will need nearly 27,900 new aircraft valued at \$3.5 trillion at list prices.

At the **FIDEA** show, **Airbus** announced that Chilean airlines will need 164 new passenger aircraft in the 100+ seat category by 2031. This more than doubles the fleet in order to meet new demand where domestic air traffic grew by 83 percent over the last ten years. International traffic increased nearly 80 percent as well. The airlines could take delivery of 108 new single-aisle narrowbodies, 53 twin-aisle widebodies and three VLAs, market valued at \$19.8 billion.

TAAG Linhas Aereas de Angola (Angola Airlines) ordered three 777-300ER (Extended Range) airplanes and took purchase rights for three more 777-300ERs. The order was valued at \$895 million (\$298 million each) at list prices. **TAAG** will configure its 777-300ERs with 293 seats in a three-class cabin. The Angolan flag carrier currently operates three 777-200ERs and two 777-300ERs from Luanda, Angola, to Beijing, Dubai, Lisbon, Rio de Janeiro and Sao Paulo. **TAAG** will grow its route network by adding more flights to Brazil and Portugal and by launching services to other European destinations. It bought its first **Boeing** plane 37 years ago and now operates an all-**Boeing** fleet. **TAAG Angola Airlines** was founded in 1938 and is based in Luanda, the country's capital city.

In April, Transaero Airlines was **Boeing's** only customer. The Russian airline ordered four 787-8 Dreamliners valued at \$744 million at list prices. The contract was signed onboard a 787 during a demonstration flight for **Transaero's** executives, employees and special guests. **Transaero** was

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established in 1991 as Russia's first private airline. It was also the first Russian airline to operate **Boeing** aircraft when it acquired a 737 in 1993.

Boeing lost another 787 order in April. It has sold 854 787s to 59 customers, to date.

In April, Boeing again delivered all the aircraft types that it has in production. The manufacturer placed 38 737NGs, two 747s, two 767s, six 777s, and three 787s in the hands of airlines and lessors, for a total of 51.

EVA Air finalized its order for three extended range 777-300ERs and took purchase rights for another four airplanes in early May. The 777-300ER is list priced at \$298.3 million, so the new order is officially worth \$893.9 million, but analysts say standard market discounts reduce the real price approximately \$490 million or \$163.3 million each. In addition, **EVA Air** will lease four 777-300ERs from **GE Capital Aviation Services (GECAS)**. The Taipei-based airline will take delivery of the first three aircraft by 2014, and the remaining four will enter service by 2016. The airline currently operates 15 777-300ERs, and was a launch customer for the 777-300ER in 2000. The 777-300ER seats up to 365 passengers in a three-class configuration. The planes will operate to China and North Asia. The airline plans to grow its current fleet of 59 aircraft to 100 aircraft by 2014. It will lease another six A321s into its fleet of 12. The A321s will replace the 11 MD-90s which will be retired from 2014 through 2016. **EVA** said it will replace four of its nine 747-400 freighters by 2015. It also operates 14 Airbus A330s, seven 747s, and eight MD-11 freighters.

China Eastern Airlines announced that it will order 20 extended range 777-300ERs. The order must be approved by the Chinese Government, and when that happens, **Boeing** will post the order on its **Orders & Deliveries Website**. The airline said the firm order will be worth nearly \$5.94 billion (\$297 million each) at list prices, but it has negotiated a discount. The new 777s will be delivered from 2014 to 2018. The airline will also trade-in five Airbus A340-600s. It book valued the eight-year old A340-600s at \$708 million (\$141.6 million each). **China Eastern** currently flies the A340s to New York and Los Angeles, but said the aircraft have high operating costs. The planes will be retired from 2014 to 2015.

Boeing March 2012 Orders, Deliveries					
MAR ORD	MAR DEL	MAR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
45	38	-2	9,788	7,109	2,679
			747		
-0-	2	-0-	1,524	1,433	91
			767		
-0-	2	-0-	1,090	1,021	69
			777		
6	8	-0-	1,367	1,003	364
			787		
2	3	-0-	875	8	867
This Month			This Year		BL
53	53	-2	440	137	4,070
Boeing sold 22,174 aircraft and delivered 18,104 as of March 31, 2012.					
The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.					
Sales totals are net, minus cancellations.					

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Air Lease Corporation said it ordered eight 787-9 Dreamliners worth \$1.8 billion (\$225 million each) at list prices. The planes will be leased to **Vietnam Airlines**. The deal was announced on April 30, but has not yet been booked on **Boeing's** official **Orders & Deliveries Website**. The planes will be delivered in 2017 and 2018. The lessor ordered four 787-9s in December 2011.

Air Lease Corporation also announced it was a previously unidentified buyer for 60 737 MAX aircraft worth approximately \$6 billion (\$100 million each) at list prices. **Boeing** listed the sale as commitments that need to be converted to firm orders. **Air Lease** is expected to announce the MAX order at the **Farnborough Airshow** in July. **Boeing** said it has sold 451 MAX aircraft, and has provisional orders for another 535 from declared and unidentified customers.

Boeing Rolled-Out its First South Carolina Built 787 Dreamliner in a big ceremony at its new North Charleston facility in April. Nearly 7,000 **Boeing** employees and invited guests enjoyed aerial displays, music and entertainment to commemorate the final completion of its first 787. This is the first **Boeing** commercial airplane to be produced in the Southeastern United States. Nearly 670 **Boeing** B-29 bombers were built at the current **Lockheed-Martin** facility in Marietta, Georgia. **Boeing** broke ground on the site in November 2009 and finished the final assembly facility in June 2011. Aircraft production began later that same month. The 787 was later placed on the flight line where **Boeing** checked the systems and ran the engines before a series of taxi tests and the first flight. The airplane will be delivered to **Air India** in mid-2012. The other four 787s to be built in South Carolina this year will be handed over to the Indian flag carrier. A sister plant at the same airfield is responsible for fabrication, integration and assembly of the 787's mid-body and aft-body fuselage sections. Some of those pieces are trucked to the Final Assembly plant facility, or flown by 747 Dreamlifters to the original Final Assembly plant in Everett, Washington. **Boeing** hopes to finish 10 787s per month by the end of 2013. The South Carolina plant will build 3.5 planes a month by that time. The airframer will start to build its first 787-9 variant toward the end of the year when it manufactures the aft and mid-body in South Carolina.

Boeing April 2012 Orders, Deliveries

APR ORD	APR DEL	APR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
-0-	38	-0-	9,788	7,147	2,641
			747		
-0-	2	-0-	1,524	1,435	89
			767		
-0-	2	-0-	1,090	1,023	67
			777		
-0-	6	-0-	1,367	1,009	358
			787		
4	3	-25	854	11	843
This Month			This Year		BL
4	51	-25	425	188	3,998

Boeing sold 22,153 aircraft and delivered 18,155 as of April 30, 2012.

The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.

Sales totals are net, minus cancellations.

British Airways and Emirates Airline asked **Boeing** to develop the successor to the 777-300ER so that they can take delivery in 2019. **Boeing** hopes to get board approval by early 2013 to offer a 777 upgrade that will be ready “towards the end of the decade,” **Boeing Commercial Airplanes** chief, **Jim Albaugh** said. The airlines want the new model so that they can replace some of their oldest planes. The Airbus A350-900s and -1000s are direct challengers to the twin-engine 777. **British Airways** wants to replace its 52 Boeing 747-400s and it wants to choose between an updated 777, the 787-10 Dreamliner, or perhaps the A350-1000. **BA** said the newest 747s can last until 2018 or 2019, but most are becoming too costly to operate as fuel prices rise. **Emirates** requested a new 777 more than two years ago and has hedged its bets by ordering 50 A350-900s and 20 A350-1000s. **Boeing** replied that the 777’s “strong market position” gave the company time to choose the right technologies and the right moment for the launch. This was the same thing they said about choosing between building the 737 MAX and launching an all-new 737 replacement. **Boeing** may wait until **Airbus** forces its hand. The A350-1000 is due to enter service in 2017.

United Continental is reportedly negotiating for up to 200 737NG and 737 MAX aircraft, worth at least \$16.9 billion at list prices, and perhaps \$10 billion after typical market discounts. The press reports that **United** ceased negotiations to buy **Airbus** A320 neo aircraft. The deal will build on **Boeing’s** sales victories which include the sale of 100 737s to **Delta Air Lines**, and 200 to **American Airlines**. All the 737s will be powered by **CFM International** engines. The **United** 737s will replace elderly 737-500s and 757-200s, which average 71 years of age.

Boeing Plans to Raise 777 Production to 8.3 per month (100 per year) by early 2013. They currently build seven per month, or 84 per year. The sales department sold 202 777s in 2011 and could sell a lot more, but customers are discouraged by the four-year long waiting list. Neither **Boeing** nor **Airbus** offers an adequate alternative to the high-capacity, long-haul twin jet. **Airbus** stopped selling the A340-600 because all of its potential customers bought 777s. The European planemaker is still designing its largest A350, the -1000, which will offer the same range and passenger capacity as the 777-300ER (**Boeing** is working on the 787-10 model, but they will enter service late in the decade). **Boeing** said it could not boost production past the planned 8.3 per month; they would have to make significant financial investments to go above that rate. It has been slow in making improvements to the eight-year old 777-300ER design.

Lion Air, Indonesia’s largest low-cost airline, is expected to sign an order for 10 787-8 Dreamliners on June 8, to mark its 12th anniversary. The deal will be worth \$1.9 billion at list prices. The budget carrier intends to enter the long-haul market in competition with the flag carrier **Garuda Indonesia**, and Malaysia’s **AirAsiaX**.

The U.S. House of Representatives decided to fund the **US Export-Import Bank** after all. If the bill passes, the **Ex-Im Bank** will be funded through September 30, 2014, and its lending cap will be increased from \$100 billion to \$140 billion. The 78-year-old bank’s charter was set to expire in May. Bank guaranteed-loans were nearing the existing caps. The **Ex-Im Bank** offers direct loans and credit guarantees to help U.S. exporters to sell their products in risky overseas markets. **Boeing** is the bank’s largest customer. Up to now, conservative Republicans complained that the bank was unnecessary government interference in the world market. The Senate is expected to approve the re-authorization bill and President **Obama** said he would sign it.

Regional Report

WestJet, Canada's largest low-cost carrier, signed a letter of intent to buy 20 Bombardier Dash 8-Q400 turboprops. The airline picked up 25 options as well. The new Dash 8s will be the basis for **WestJet's** new regional airline. The planes will be delivered over the next six years. The airline will be launched in 2013 and will serve new cities in the west, but the specific destinations have not been named. **WestJet** has yet to name the airline either. The Dash 8 order is considered a major victory for **Bombardier**. The Canadian manufacturer's sales have lagged those of Europe's **ATR**. **WestJet** operates 98 Boeing 737NGs and has 37 more on order due for delivery through 2017. **Bombardier** has booked firm orders for 428 Q400 and Q400 NextGen airliners to date. It has delivered aircraft to nearly 40 operators in 30 countries on six continents. The company said its "aircraft have transported more than 177 million passengers and have logged more than 3.2 million flight hours, and over 3.5 million take-offs and landings."

Bombardier's Market Forecast predicted that the Middle Eastern and African regions will need 980 of the 13,100 20- to 149-seat aircraft to be delivered from 2011 to 2030. To serve this market, **Bombardier Aerospace** established a regional sales and marketing office in Dubai in November. The facility is located in the **Dubai Free Zone** near **Dubai International Airport**.

Japan Airlines (JAL) ordered its 11th EMBRAER 170, worth \$38 million at list price. The airline ordered the first ten in June 2007 and has taken delivery of all of them. The new E170 will be powered by GE CF34-8E engines, and will be configured for 76 passengers in a single class. It will enter service in late 2012 with **J-AIR**, a wholly owned subsidiary of **JAL**.

Embraer delivered 21 commercial jets, 12 light jets, and one large executive jet in the first quarter. In the same period of 2011, the manufacturer delivered 20 commercial and eight executive jets. Due to increased production, rising revenues from aviation services, and the growing Defense and Security business, **Embraer's** first quarter revenues reached \$1,155.9 million, and net income totaled \$62.7 million. The company had \$301.8 million in cash at the end of the period. In the first quarter of 2011, **Embraer's** revenues were \$1,055.7 million. The company is spending approximately \$64 million per year on research and development. The manufacturer's firm order backlog was valued at \$14.7 billion at

Bombardier March 31, 2012 Orders & Deliveries

CRJ	Total Orders	Total Deliveries	Current Backlog
Challenger	33	33	-0-
CRJ1/2/440	1,021	1,021	-0-
CRJ700	340	331	9
CRJ900	268	257	11
CRJ1000	55	23	32
Total	1,717	1,665	52
C Series	Total Orders	Total Deliveries	Current Backlog
CS100	66	-0-	66
CS200	72	-0-	72
Total	138	-0-	138
Dash 8	Total Orders	Total Deliveries	Current Backlog
Q1/2/300	671	671	-0-
Q400	428	392	36
Total	1,099	1,063	36

Bombardier delivered 4 CRJs and 3 Dash 8s this quarter.

the end of the quarter. **Embraer** sold 12 new commercial jets, including: 10 E195s to **Azul**, one E190 to **BA CityFlyer**, and one E170 to **JAL** (it disclosed the sale on April 4). The company ended the period with 1,063 E-Jet orders and 240 in backlog.

ICBC Financial Leasing (ICBC Leasing) signed a Memorandum of Understanding (MoU) with **Embraer** to create financing opportunities for the sale of **Embraer's** commercial and executive jets in China and other markets. **ICBC** expects to finance aircraft worth as much as \$2.5 billion over the next five years. **ICBC Leasing** was launched in 2007 and is a wholly owned subsidiary of **Industrial and Commercial Bank of China**. The leasing company has over 70 jets in its aircraft fleet portfolio. **Embraer** forecast that China will need 430 commercial jets in the 50- to 120-seat class, and 635 executive jets over the next ten years. Over the previous decade, **Embraer** has sold 153 commercial and executive jets in China and has delivered more than 110 of them to date.

Embraer expects to rebuild its order backlog from its lowest point since 2006 due to an up tick in sales. In the first quarter, **Embraer** delivered aircraft at twice the rate that it sold them. This reduced the backlog below \$15 billion for the first time in over five years. **Embraer** expects demand for its 70- to 120-seat E-jets to remain stable or even grow from last year. It sees the fast-growing Asian markets will generate more sales than the slower expanding western markets. Management warned that dropping leasing rates and the delivery of new airliners from China, Japan, and Russia could bring down pricing in the market for regional jets. To stay ahead of the competition **Embraer** is considering the installation of new more-efficient engines on its E-jets. The company will decide whether to launch the updated E-Jet in 2013. It expects that development will cost nearly \$2 billion.

Sukhoi Civil Aircraft Company (SCAC) won a Type Certificate for its Sukhoi Superjet 100 (model RRJ-95B) from the **Direccion General de Aeronautica Civil**. The Superjet is now compliant with the requirements of the Mexican Aviation Authority, and allows the delivery of the first of SSJ100 to **Interjet** at the end of this year. The airline ordered 15 SSJ100s and optioned five more in 2007.

Mitsubishi Aircraft Corporation (MITAC) announced that the first flight of the Mitsubishi Regional Jet (MRJ) will be delayed over one year to October-December 2013, from the previously scheduled second quarter of 2012. Consequently, the delivery of the first 90-seat MRJ90 will be delayed until the summer of 2015. **Mitsubishi Aircraft** said it needed to "confirm respective fabrication processes" and "provide sufficient time for technical studies." Further the company needed more time to review the

Embraer March 31, 2012 Orders & Deliveries

Type	Total Orders	Total Options	Total Deliveries	Current Backlog
E170	189	31	182	7
E175	189	290	145	44
E190	552	344	402	150
E195	133	24	94	39
Total	1,063	689	823	240

Type	1st Quarter Deliveries	2012 Deliveries
Light Exec Jets	12	12
Large Exec Jets	1	1
Embraer 170	-0-	-0-
Embraer 175	2	2
Embraer 190	13	13
Embraer 195	6	6
Total	34	34

Embraer intends to deliver from 105 to 110 commercial jets, 75 to 85 small executive jets, and 15 to 20 large executive jets, in 2012.

industrial processes involved in producing the aircraft, and that these processes needed the approval of the **Japan Civil Aviation Bureau**. As with the A380, A400 and 787, and just about every other recent aircraft program, the development is taking longer than originally expected. On the plus side, the development of the Pratt & Whitney PW1217G geared turbofan is on schedule and the engine flew for the first time on April 30. **Mitsubishi Aircraft** said its 70-seat MRJ70 is expected to be ready for delivery in 2016. The 100-seat MRJ100X should enter service in 2017 or 2018. In March 2011, **Air Lease Corp's** CEO, **Steven Udvar-Hazy**, said that **Mitsubishi** should commit to developing a 100-seater. **Mitsubishi** forecast that the market for 70-100 seat regional jets will exceed more than 5,000 units over the next 20 years. The company did not say how big a share of the market it hoped to capture. To date, **Mitsubishi** has sold 65 MRJs, with another 60 on option. The manufacturer expects to sign new deals for another 75 MRJs by the end of the year, raising the order and option totals to more than 200.

Garuda Indonesia said it plans to order turboprops to serve low-density routes in eastern Indonesia. The airline does not operate any turboprops, while its largest rival, **Lion Air**, uses ATRs. **Garuda** is looking at proposals from **ATR** and **Bombardier** for the ATR 72 and Q400 respectively. The smaller planes may be operated by a regional subsidiary. **Garuda** already has a low-cost subsidiary named **Citilink** that is buying an all-Airbus A320 fleet.

Avions de Transport Regional is looking at stretching the 74-seat ATR 72 to 90 to 100 seats. **EADS Chief Executive Officer, Louis Gallois**, said at the 1,000th ATR delivery ceremony, that: "We want to encourage **ATR** to work on plans for developing its future." **ATR** is actively talking with **General Electric Co. (GE)** and **Pratt & Whitney (PW)** about developing an engine for a larger turboprop. **Bombardier** is also looking at a stretched version of the Dash 8Q-400. The manufacturers expect fuel prices to plateau at the recent highs, and for airlines to demand more fuel efficient 90-seaters to compete with large jets in the short haul market. **ATR** is outselling the **Bombardier** Dash 8 because the ATR 72 is optimized for short haul routes. At the end of 2011, **ATR** had a backlog of 224 aircraft worth \$5 billion, while **Bombardier** had 24 firm orders and 118 options for its Dash 8s. In 2011, **ATR** sold 157 planes and another 79 were optioned. In the same period, **Bombardier** sold seven Dash 8s. **ATR** delivered 54 planes in 2011, and had total revenue of \$1.3 billion.

Order Changes and Cancellations

Airbus Order Shuffle. In March, **Aviation Capital Group** switched two A320 orders to the A321 type. It now has 85 A320s and a dozen A321s on order. **Boullioun** also exchanged two A320 orders for A321s. It has ordered 106 A320s and seven A321s to date. **Germania** added two A321s in the place of two previously ordered A319s. **TACA International Airlines** cancelled seven A320s and picked up two A319s and five A321s. **Wizz Air** in Poland cancelled 20 A320 orders that were then allocated to "undisclosed" customers. In April, **IndiGo** dropped 18 existing A320 orders in favor of 18 new A321s. **Korean Air** exchanged six A330-200 orders for a half dozen A330-300s.

Airbus Lost Four Orders in March, including one ACJ318 Elite. U.S. lessor **Intrepid Aviation** cancelled two of its 19 A330-200Fs. It converted another two A330Fs into orders for one A330-200 and one -300. **Intrepid** originally ordered 20 A330Fs, but cancelled one order at the end of last year. The lessor announced that it might switch from freighters to the passenger versions because delays in the

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Boeing 787 program had increased demand for mid-sized passenger jets. **AerCap** cancelled one of its 13 A330-200 orders.

Etihad Airways cancelled seven of its 19 A350-1000 orders in April. The airline had also cancelled six A350-1000 orders in January; it retains a dozen orders. The airline said it still holds 25 options and purchase rights for the type. The airline's spokesman said the cancellations were "not intrinsically linked [to] the recent delay to the A350 XWB program, [but it] provided an appropriate opportunity for **Etihad** to revisit its projected fleet mix in the latter part of the decade." **Airbus** is delaying the A350-1000's launch to 2017 from 2015 and said it would increase the airplane's size and power. An **Airbus** spokesman said the order book for the A350 was still "very solid" and the -1000 would burn 25 percent less fuel than the rival Boeing 777-300ER.

Qatar Airways said it will delay delivery of its 10 A380s until it gets more details about wing cracks on the aircraft, its chief executive, **Akbar al Baker**, said. **Qatar** was to take delivery of its first A380s in October 2013. **Airbus** found a manufacturing fault that caused cracks in the wings of some A380s late last year. It is busy fixing airplanes that are in operation and aircraft that are on the production line. **Airbus** estimated it will cost about €105 million (\$139 million), to repair the aircraft in service.

Qatar Airways announced in May that it has too many aircraft projects on its plate to place a \$700 million order for 10 Bombardier CSeries jets. The airline said it needs more time before making a decision. The planes were to be used by **Qatar's** business-jet unit. The carrier intends to restart talks with **Bombardier** late this year. **Qatar Airways** explained it will take delivery of its first Boeing 787 in July and was dealing with wing component cracks on the first of the A380s it ordered.

The Qantas Group will cut its capital expenditures in 2012/13 by another \$400 million. They announced a \$500 million cut in February. The group intends to spend a total of \$1.9 billion in 2012/13 down from the \$2.3 billion previously planned. Capital expenditure in 2013/14 will also be \$1.9 billion or less. The group will achieve the cuts by delaying the delivery of two A380s from the previously planned early 2013 in-service date until 2016 and 2017. The **Group's** final six A380s will be delivered in 2018 and 2019.

Southwest Airlines Deferred Deliveries of 30 737-800s by about four years to save more than \$1 billion in capital spending. Chief Executive Officer **Gary Kelly** said, "We're more conservative right now in our ambitions with respect to expansion. Right now we're very focused on hitting our profit target. We'll have plenty of aircraft in future years to be able to grow the airline." Mr. **Kelly** wants the airline to earn a 15 percent return on invested capital before adding more planes. Traffic is strong across the board he said, but the CEO is not comfortable being aggressive in terms of increasing the fleet in 2013. **Southwest** cancelled 20 2013 deliveries and another 10 planes scheduled for 2014. Fifteen 737-800s will arrive in 2017 and the rest will be due in 2018. Under the new schedule, **Southwest** will take delivery of 34 737-800s this year, 20 -800s in 2013, and 24 in 2014 (along with five 737-700s). The airline will retire 34 737 Classics in 2012 to keep the fleet at approximately 692 airplanes. **Boeing** had 2,641 737s in backlog through April, and 345 unfilled 737 orders from **Southwest**.

Iraqi Airways chose not to exercise the four options for 90-seat Bombardier CRJ900 airplanes after it takes delivery of the six it has on firm order. The flag carrier is expected to buy larger planes from **Airbus** or **Boeing**. The country is seeing surprising growth in traffic and the CRJ900s are too small for the routes. The **Iraqi Ministry of Finance** will grant \$300 million in loans to the airline through the

state-owned **Rafidain Bank** and **Rasheed Bank**. The loans are interest free and repayable over 10 years. The government agreed to pay **Kuwait Airways** \$300 million in compensation for 10 planes that **Saddam Hussein's** army seized or destroyed during the 1990-91 **Gulf War**. The deal calls for **Kuwait Airways** to invest \$200 million in a Kuwaiti-Iraqi joint venture airline. It will serve a dozen cities in the Middle East, probably with 150-seaters.

Leasing Companies

Air Lease Corporation (ALC) announced that it purchased eight new Boeing 787-9 aircraft for lease to **Vietnam Airlines** for delivery in 2017 and 2018. This is **ALC's** longest lead time for a lease placement. It will long-term lease one A330-200 to **KLM** in 2013, and will long-term lease one A330-300 from its backlog to **Sichuan Airlines** in 2013. **ALC** leased one Embraer 190 to **LAM** (Mozambique) for delivery in 2012, and bought one 777-300ER from **Macquarie Aviation**. It is on long-term lease to **Emirates**. **Sichuan Airlines** extended the lease of one A319 for four years.

International Lease Finance Corp. (ILFC) closed a \$203 million bank loan arranged and underwritten by **DVB Bank**. The loan term was for six years and at an average rate of approximately 4.7%. The money will be used to finance the purchase of seven new aircraft to be delivered in 2012.

BOC Aviation reported a net profit after tax of \$201 million for 2011. This was 20 percent higher than the \$168 million profit achieved last year. The company's total assets at the end of the year were \$7.6 billion, up by 14 percent compared to 2010. **BOC** successfully raised more than \$1.7 billion in debt funding, of which over 70 percent came from Asia Pacific financial institutions. **BOC** placed 30 A320s that were ordered in 2010, including eight A320 leased to **Qantas Airways'** subsidiary **Jetstar**. Other new **BOC** A320 customers included **Dragonair**, **South African Airways**, and **TransAsia**. **BOC Aviation** signed a lease deal with **Jet Airways** for 10 737-800s that will be delivered from late 2012 through to mid-2014. **BOC** ordered its first Embraer aircraft in 2011, when it bought 15 E190s. The lessor also purchased four Embraer E-Jets, and leased them back to **Azul**, Brazil. The company took delivery of 28 aircraft during 2011 and they have an average fleet age of only four years. **BOC** placed

Engine News

The **Qantas Group** selected **CFM International** LEAP-1A engine to power the 78 Airbus A320neo aircraft it ordered recently. The engine order included spare engines and was valued at \$2.0bn at list price. **CFM** has won orders and commitments to more than 3,500 LEAP engines. The LEAP is the exclusive powerplant for the Boeing 737 MAX and COMAC C919, and is one of two engines that can be fitted to the A320neo.

Kenya Airways selected the **General Electric** GEnx-1B engine to power its nine firm Boeing 787 Dreamliners. The firm engine order is valued at \$380 million list price. The airline optioned four more aircraft.

Avolon announced that its total capital raised has reached \$4.6 billion. The lessor acquired seven single-aisle and two twin-aisle aircraft in the first quarter, bringing its fleet to 99 owned and four managed aircraft. **Avolon** delivered nine aircraft during the quarter and committed to purchase another seven aircraft during 2012. It is scheduled to take delivery of its first new aircraft ordered directly from **Airbus** in June. It will be leased to a major Asian flag carrier. **Avolon** recently acquired two new A321s which will be delivered to **US Airways** this year.

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68 percent of its new aircraft with airlines in the Asia Pacific region. At the end of 2011, **BOC Aviation** had 183 aircraft in its portfolio. It owned 158 of them and managed another 25. They were in service with 47 airlines around the world. The company also had 71 aircraft on order and contracts to buy another two for leaseback. Forty of the 71 aircraft in backlog have been placed with lessees. **BOC Aviation** is wholly-owned by **Bank of China**, one of the largest banks in the world.

Norwegian Air Shuttle signed an agreement to lease two more 787-8 Dreamliners from **ILFC** in May. The airline previously ordered three 787s from **Boeing** and contracted to lease three more from **ILFC** for a future fleet of eight Dreamliners. The latest two 787s will enter service in early 2014 and the leases will run for 12 years. Three other 787s will be delivered in 2013, two will arrive in 2014, and one is due in early 2015.

Airline News

International Air Transport Association (IATA) Posts May Jet Fuel Prices. The organization updates its global average jet fuel price each week. On May 4, the average price of fuel was \$3.09 per gallon. Prices headed downward again, dropping 5.4 percent in the month. **IATA** said fuel prices are only 0.7 percent lower than they were in March, 2011, after yo-yoing up and down during the year. The global airline industry will pay \$134.8 billion for fuel in 2012. **IATA** said that every \$1 increase in the price of a barrel of oil adds \$1.6 billion in costs to airlines. The fuel price rise will cost airlines an additional \$41 billion this year. On average, fuel now accounts for approximately 34 percent of the world's airlines total costs.

Etihad Airways purchased 2.987 percent of Irish flag carrier **Aer Lingus** in May. The Abu Dhabi flag carrier bought the shares from the

International Air Transport Association February International Traffic Growth.

Feb 2012 vs. Feb 2011	RPK Growth	ASK Growth	Pax Load Factor	FTK Growth	AFTK Growth
Africa	24.7%	20.2%	62.7%	3.8%	17.4%
Asia/Pacific	5.9%	6.2%	75.4%	8.9%	7.8%
Europe	7.6%	5.0%	74.4%	-1.8%	5.2%
Latin America	13.3%	10.8%	78.3%	-4.8%	3.0%
Middle East	23.4%	16.1%	76.9%	18.4%	18.6%
North America	4.9%	4.3%	72.1%	0.1%	3.9%
Industry	9.3%	7.3%	74.4%	5.1%	7.76%

Year to Date 2012 vs. 2011	RPK Growth	ASK Growth	Load Factor	FTK Growth	AFTK Growth
Africa	8.4%	8.1%	64.2%	-0.6%	0.4%
Asia/Pacific	6.2%	6.3%	76.7%	-3.3%	0.9%
Europe	6.3%	3.7%	75.1%	-5.7%	1.2%
Latin America	10.3%	8.8%	79.2%	-1.3%	4.4%
Middle East	18.7%	13.2%	77.8%	13.7%	14.0%
North America	2.0%	1.6%	74.9%	-1.3%	1.8%
Industry	7.3%	5.6%	75.6%	-1.6%	3.1%

RPK: Revenue Passenger Kilometers measures actual passenger traffic

ASK: Available Seat Kilometers measures available passenger capacity

PLF: Passenger Load Factor is the percent of **ASKs** used. In comparison of 2009 to 2008, **PLF** indicates point differential between the periods compared

FTK: Freight Tonne Kilometers measures actual freight traffic

AFTK: Available Freight Tonne Kilometers measures available total freight capacity

Irish Government which owned 25 percent. **Etihad** intends to form a commercial partnership with **Aer Lingus**, including code-sharing and perhaps cost saving proposals through joint-purchasing. This is the second European airline that **Etihad** has bought into. In December it purchased another 27 percent of **Air Berlin** for €73 million (\$97 million), bringing its holding to nearly 30 percent. The UAE airline also loaned Germany's largest low-cost carrier \$255 million. That deal gave **Etihad** access to **Air Berlin's** European short-haul route network and a base in the German capital's airport **Berlin Brandenburg International** (ahead of **Emirates**). One can expect **Etihad** to look for the same treatment from the **Irish Government**.

JetBlue Airways and **Emirates** expanded their 2010 interline agreement to a codeshare relationship based at **John F. Kennedy (JFK) International Airport**. **Emirates'** passengers will be able to seamlessly connect to **JetBlue's** services from New York to 11 cities along the U.S. East Coast and to Chicago. **Emirates** flies twice a day between JFK and Dubai.

Austrian Airlines will transfer all of its flight operations and nearly 80 aircraft to its **Tyrolean Airways** subsidiary to cut costs and improve profitability. **Tyrolean's** employment contracts are 25 percent less costly than **Austrian's**, so the airline should save €220 million (\$292 million). The airline lost €62 million in 2011. The transfer will take place on July 1, and will affect 2,100 employees. **Austrian's** executive board said it was impossible to reach agreement with the unions over principles, and the transfer to **Tyrolean** will end the automatic salary increases that were part of the previous contracts.

Thomas Cook will sell and leaseback 11 Boeing 757s to **Guggenheim Aviation Partners**, and six Boeing 767s to **Aircastle**, for a total of £183 million (\$296 million). The funds will help the debt-laden British travel company to offset its first-half losses of £262.7 million. It said its summer bookings have improved in recent weeks. Bookings are down 9 percent, so the airline is lowering capacity by 13 percent. **Thomas Cook** agreed in principle to sell two more 767s to **Guggenheim**.

Lufthansa Sold British Midland (bmi) to International Airlines Group (IAG) on April 19. The nominal sale price was £172.5 million (€207 million or \$273 million), but price adjustments were written into the sale contract. The net purchase price will be determined at the end of the second quarter of 2012, and it is possible that the net sale price will be less than zero because **IAG** had to take over

Delta Air Lines found a novel solution to high fuel prices. It will be the first airline to buy its own oil refinery from **ConocoPhillips** for \$150 million. **Delta** paid \$12 billion for jet fuel in 2011 and it expects that refinery ownership should cut its fuel bill by \$300 million annually. The company will bring in an experienced management team and will outsource the trading operations. The refinery in Trainer, Pennsylvania, can process 185,000 barrels per day. As part of the deal, **Delta** will exchange refined fuel and diesel with **BP** and **ConocoPhillips**, and in return, they will supply **Delta** with jet fuel at other locations. The Trainer facility will produce 80 percent of **Delta's** fuel needs in the United States. **ConocoPhillips** had planned to close the aging facility before **Delta** bought it. **Delta** said it will invest another \$100 million to re-tool and renovate the refinery to expand jet fuel output. The airline also purchased pipelines and other assets that will provide access to the delivery network for jet fuel reaching its Northeast operations, including its hubs at New York's LaGuardia and JFK airports, **Delta** said. The refinery recently operated at a loss so some people wondered how an airline could operate it profitably. It is one of the oldest and least advanced refineries in the U.S.

BMI Regional and the regional **bmibaby**, along with **bmi**. **Lufthansa** said it was certain that the costs of the transaction will amortize within one year. **Bmi's** under-funded **Pension Scheme** will be unloaded onto the **U.K. Pension Protection Fund**, but the pension deficit will be offset by a one-time £84 million (€100.8 million or \$133 million) contribution from **Lufthansa**.

When **International Airlines Group** took over **bmi Regional**, they sold the airline to a Scottish consortium, **Sector Aviation**, for £8 million (\$13 million). The group of businessmen are investors in **Loganair**, the Scottish regional airline. The deal will save approximately 330 jobs and includes all of **bmi Regional's** fixed assets, such as owned and leased aircraft, as well as long-term liabilities. The regional operates scheduled services between seven English and Scottish cities and several northern European destinations. **IAG** said it would close down **bmibaby** on September 10, putting 470 workers out on the street. The sale of **bmibaby** fell through when the potential investors were unable to raise the necessary capital. The airline operates a dozen 737-300s, and two 737-500s, and it lost about £100 million (\$160 million) in the last four years.

Malaysia Airlines (MAS) and **AirAsia** cancelled the cross-ownership agreement that was proposed between the two airlines. The airlines signed a preliminary agreement in August 2011, which called for **AirAsia's** parent, **Tune Air**, to buy 20.5 percent of **MAS**; **MAS's** largest shareholder, the government investment agency **Khazanah Nasional**, would buy 10 percent of **AirAsia** and 10 percent of its long-haul subsidiary, **AirAsia X**. The agreement was opposed by the **MAS** employees, who were not consulted, and it became a national political issue once the unions were involved. In spite of the busted deal, the airlines will collaborate in key areas such as ground handling, training and maintenance, and repair and overhaul.

San Miguel Corp., bought 49 percent of **Philippine Airlines (PAL)** and its low-cost subsidiary **Air Phil**, from billionaire businessman **Lucio Tan**, for \$500 million. The flag carrier reported that it lost Philippine peso (Ps)3.6 billion (\$84.3 million) in the last nine months of 2011. It earned a Ps3.2 billion profit in the previous year. The airline's 2 percent rise in revenue was eaten up by higher costs and an unfavorable exchange rate. **Philippine Airlines** said it plans to order 100 new airplanes, and to resume flights to Europe and expand services to the United States. **San Miguel** will invest \$750 million and Mr. **Tan** will inject another \$250 million to fund the fleet renewal plan. The 100 new single-aisle and twin-aisle aircraft will be sourced from **Airbus** and **Boeing**. They will be delivered to **PAL** and **Air Phil**. **PAL** wants to join a global alliance and has ambitions to compete with **Singapore Airlines** and **Emirates Airline** on long-haul routes. **Philippines** does not currently meet **European Union** or **U.S. Federal Aviation Administration** safety standards, so it has a long way to go. **PAL** currently operates seven Boeing jets and Airbus narrowbodies and widebodies.

Bankruptcy of the Month

Pinnacle Airlines and its subsidiaries filed Chapter 11 bankruptcy on April 1. **Pinnacle** said it would use the Chapter 11 process to implement a comprehensive turnaround plan aimed at addressing its operational and financial challenges. It expects to return to profitability and remain viable over the long term as a regional airline. **Pinnacle** will restructure its key operating agreements with **Delta Air Lines**, and wind down its operations with **United Airlines**. **Pinnacle's** subsidiary, **Colgan Air**, will slowly suspend its Saab 340 operations for **United Express**, and will ground the last one on August 1. **Colgan** will cease Q400 operations by November 30. It will also cease its **Essential Air Service (EAS)** flights

for **US Airways**. The airline lost \$5 million in the third quarter of 2011, so it announced a cost reduction program in December 2011. The regional will cut wages and numbers of employees and look for ways to reduce costs, and to find the optimum fleet size, staffing levels and network to operate profitably on an ongoing basis, **Pinnacle** said. The airline will receive \$74.3 million in debtor in possession (DIP) financing from its partner **Delta Air Lines**; \$30 million will be used to keep the airline operating and the other \$44.3 million will pay off a secured promissory note held by **Delta**.

Cargo Pallet

Airbus, ST Aerospace, and EADS EFW launched the A330 Passenger-to-Freighter (P2F) conversion program on May 21. At the **Singapore Airshow** in February, the three partners announced it was authorized to offer the A330P2F. **ST Aerospace** is performing the A330P2F engineering development work. **EADS EFW** will do most of the conversions at its facilities in Dresden, Germany, while **ST Aerospace**, Singapore, will provide additional capacity. **EADS EFW** and **Airbus** will undertake marketing and sales activities. The A330P2F program will be offered in two versions – the A330-200P2F, which is optimized for higher-density freight and longer range performance, and the larger A330-300P2F, which is suitable for integrators and express carriers due to its high volumetric payload capability. The first A330P2F is targeted for completion in 2016. The A330P2F freighter conversion program will sustain A330 Family residual values by extending the economic lives of the planes. **Airbus** forecast that approximately half of the 2,700 freighters needed over the next 20 years will be in the mid-sized freighter segment. The manufacturer sees a requirement for 900 conversions for twin-engined widebodies.

Aerosur, Bolivia's largest airline, ceased all domestic and international operations without warning on March 31, and stranded thousands of passengers. The **Ministry of Public Works** confirmed the airline had ceased operations, but it denied that the **Bolivian Government** had forced the grounding. The airline owes the government 1.34 billion Bolivianos (\$142 million) in unpaid taxes. The airline also owes banks and suppliers much more than that. It operated five 737-300s and one -400 on domestic and regional routes. **Aerosur** flew a 767-200ER to Miami, and leased a 747-400 from **Virgin Atlantic** for its Madrid services. The airline had to ground its fleet of 727-200 Advs and 737-200 Advs in 2010, when the government banned the airline from flying jets that were older than 25 years. It also had to compete with the **Bolivian Government** owned flag carrier, **Boliviana de Aviacion (BoA)**, after it was launched in 2010. Privately-owned **Aerosur** claimed the government was trying to drive it out of business. **Aerosur** was founded in 1992.

Qatar Airways will convert 15 to 20 A330 passenger jets into freighters. Its CEO, **Akbar Al Baker**, said the airline was talking with **EADS EFW** about the delivery schedule, and it could sign a contract at the **Farnborough Airshow** in July. If **Airbus** had not launched the A330P2F, **Qatar** would have purchased converted Boeing 767 freighters to fill its needs. Last year it bought a 35 percent share of **Cargolux**, the Luxembourg-based cargo carrier.

LCF Conversions, and its Seattle-based partner, **ACE Corporation**, are looking for a launch customer for its Airbus A340 cargo conversion. The design calls for cargo to be loaded through the standard lower-fuselage freight doors. It will be raised to the main deck by internal forward and aft cargo lifts. This design avoids the need to cut a large freight door in the fuselage and invasive structural changes, including the need to strengthen the main deck. The A340 (F) should be able to carry more than 60 tons for 5,000 nm (9,260 km). The un-reinforced main deck will accommodate more than 40 tons of freight,

while the lower deck can carry around 39 tons of cargo. Containers and pallets would be limited to the dimensions of the lower-fuselage cargo door, which has a height of 1.63m (64in), **LCF** said. The company estimates that cargo could be unloaded and reloaded in approximately 75 minutes. The low-weight cargo-loading system is being developed by **Ancra International**. The A340 (F) will not require the expensive nose-gear redesign and modification to level the aircraft's fuselage for loading, as happened with the factory built A330F. The A340 (F) could be returned to passenger configuration if necessary. **LCF Conversions** expects to win a supplementary type certificate next year. **LCF** originally considered converting passenger 777-200s into freighters, but found that suitable airframes were too expensive and difficult to find. There are plenty of A340-300s available at approximately \$15 million. The A340-300(F) is being designed by **ACE Corporation**; the conversion should cost around \$6.5 million and take only six weeks. Installation of a main-deck large-door would take much longer and would make the conversion uneconomical. **Airbus** built 218 A340-300s, which is an adequate number for a low-cost conversion program. **McDonnell Douglas** built only 136 passenger MD-11s, and most of them were converted to cargo. **LCF** is talking to a number of potential launch customers. The modifications could be performed on the other A340 variants.

Precision Conversions will convert another 757-200 passenger plane into a 15-pallet position 757-200PCF for **SF Airlines**, based in Shenzhen, China. The airline already operates several **Precision Conversions'** 757-200PCFs. The conversion touch work will be done by the **Taikoo Aircraft Engineering Co. Ltd. (TAECO)**, maintenance facility in Xiamen, China. **TAECO** became **Precision's** partner in 2009. The two companies have completed 33 757PCF conversions to date.

Aviation Capital Group (ACG) will provide one 737-400SF 11 Pallet Freighter Conversion to **ATRAN Cargo Airlines**, based in Moscow. The airline is part of the **Volga Dnepr Group**. The aircraft is a high gross weight 737-400 (SN 28663) that was built in 1997. It is currently being converted at **Aeronautical Engineers'** authorized conversion center, **Flightstar Aircraft Services** in Jacksonville Florida.

TNT Express Must Sell TNT Airways and Pan Air Líneas Aéreas. **European Union** law states that airlines cannot be majority owned by non-Europeans, therefore the **TNT** subsidiaries have to be sold before **UPS** can purchase **TNT Express**. **TNT** intends to sell the airline to European investors and then continue to contract it to operate on behalf of **TNT** and **UPS**.

Pemco Will Close its aircraft conversion facility in Dothan, Alabama, on June 1, after it finishes three aircraft conversions ordered by **National Airlines**. Aircraft conversion work will be off-shored to **Pemco's** partners in Asia. The company's maintenance operations at Tampa, Florida, and Erlanger, Kentucky, will continue. **Pemco** is approximately half the way through its 90-day bankruptcy restructuring program.

Military Market

The Airbus Military A400M Final Assembly Line (FAL) in Seville, Spain, started work on the second serial production A400M (SN 8). They mated the aircraft's wings and central wing-box in February. The rest of the main components arrived at Seville in April. The vertical tailplane came from Stade, and the fuselage was built in Bremen, both in Germany. The nose was manufactured in Saint

Nazaire, France, and the horizontal tailplane was trucked from Tablada, near Seville. The **French Air Force** will take delivery of this A400M military airlifter in 2013. **Airbus Military** is a subsidiary of **Airbus**, and develops, produces, sells and provides support and services for a comprehensive family of airlifters with a payload range of three to 45 tons, **Airbus** said. **Airbus Military** is responsible for the A400M program, the A330 Multi Role Tanker Transport (MRTT), and the smaller Light & Medium C295, CN235 and C212 programs. It has sold more than 1,000 aircraft to some 130 military, civil and governmental customers; **Airbus Military** has delivered more than 800 to date.

The Royal Malaysian Air Force (RMAF's) plans to receive its first A400M transport aircraft in January 2015, with its remaining three examples to be delivered by 2016. The **RMAF** will supplement and not replace their 14 **Lockheed Martin** C-130s, 12 C-130Hs, and two C-130T tankers. **Airbus Military** debuted one of its A400M test aircraft to the **RMAF** at Malaysia's **Defense Services Asia** tradeshow at the nation's capital of Kuala Lumpur. After performing demonstration flights at Kuala Lumpur, the aircraft flew to **Halim Air Base** in Jakarta, Indonesia, and to Chiang Mai, then to Bangkok, Thailand.

Boeing delivered the eighth C-17 Globemaster III to the **Royal Air Force (RAF)**, and the fifth C-17 to **United Arab Emirates (UAE) Air Force and Air Defense**, in May. The UAE accepted delivery of four C-17s in 2011, and has one more airlifter on order for delivery later this year. The first **RAF** C-17s entered service in 2001, and all are operated by 99 Squadron at **RAF Brize Norton**. The **UK Ministry of Defence**, citing ongoing demand, ordered additional airlifters for delivery in 2008 and 2010; it contracted for its eighth C-17 in March. **Boeing** has delivered 243 C-17s worldwide, including 216 to the **U.S. Air Force** active duty **Guard** and **Reserve** units. A total of 27 C-17s have been delivered to: Australia, Canada, Qatar, the United Arab Emirates, the United Kingdom, and the 12-member **Strategic Airlift Capability** initiative of **NATO** and **Partnership for Peace** nations. India has 10 C-17s on order for delivery in 2013 and 2014.

The Indian Government is expected to issue a request for proposals (RFP) for aircraft to replace the **Indian Air Force's** aging **Hindustan Aeronautics (HAL)**-built HS 748s. The government is looking at the **Airbus Military** C-295 and **Alenia Aermacchi** C-27J. India proposes to buy 16 aircraft from the manufacturer and to license build another 40. The planes will be produced by a private sector company, and not by the government-owned **HAL**. Several of the country's large industrial conglomerates, including **Larsen & Toubro**, **Mahindra & Mahindra**, and **Tata**, are expected to bid for the domestic portion of the contract. The first aircraft should be delivered within two years of a contract signing, and the 16th is expected two years later. The first domestically built airplane would be completed the following year and be built at a rate of eight per year.

AIRCRAFT DELIVERIES & SALES

Jet Aircraft

A318 & A319. **Airbus** delivered five A319s in March, including one -115 (SN 5057) to **Avianca**, and one -112 (SN 5097) to **LAN Airlines**, in South America. **China West Airlines** leased -133 (SN

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4995) from **Hainan Airlines**. In Europe, **Germania** received -112 (SN 5085), and **Atlantic Airways** took delivery of its sole -115 (SN 5079).

Airbus delivered 2012's first A318 in April, an ACJ318 (SN 4650) to **Kutus Ltd.** **CASCG** leased A319-115 (SN 5088) to **China United Airlines**, and **Hainan Airlines** leased -133 (SN 5015) to **China West Airlines**.

A320. **Airbus** delivered 29 A320s in March, including four -232s (SN 4076, 5090, 5092 & 5094) to **IndiGo**. The first was sold to **Glenveagh Aviation** and leased-back. **RBS Aerospace** leased two -214s (SN 5045 & 5067) to **Cebu Pacific Air**. **AWAS** leased -214 (SN 5031) to **S7 Airlines**, and a second -214 (SN 5034) to **Virgin America**. **Virgin America** also leased -214 (SN 5058) from **Aviation Capital Group (ACG)**. **China Eastern Airlines** leased two -214s (SN 5047 & 5063) from **ACG**, one -214 SN (5053) from **Air Lease Corp.**, and took delivery of two Tainjin-built -214s (SN 4886 & 4903) from its own backlog. **BOC Aviation** leased -232 (SN 5055) to **Transasia Airways**, and -232 (SN 5095) to **Etihad Airways**. **Spirit Airlines** took delivery of -232 (SN 5042) and sold it to **NAS Investments** for lease-back. **Qantas** leased -232 (SN 5039) to **Jetstar Airways**. **GECAS** leased -214 (SN 5081) to **Philippine Airlines**. **Airbus** delivered the 80th Tainjin, China-assembled A320 to **Air China**. The -214 (SN 4895), is the flag carrier's 88th A320 Family aircraft. The final assembly line builds approximately four A320s per month. Elsewhere in Asia, **Silkair** accepted -233 (SN 5050) and **Juneyao Airlines** received -214 (SN 5070). In the Americas, **Airbus** delivered -232 (SN 5060) to **JetBlue Airways**, -233 (SN 5068) to **TACA International**, -233 (SN 5062) to **Volaris**, and -214 (SN 5101) to **TAM**, Brazil. In Europe, **easyJet** bought -214 (SN 5046), **Swiss International Air Lines** acquired -214 (SN 5069), and **Wizz Air** received -232 (SN 5075).

GE Capital Aviation Services (GECAS), leased two A320s to **Brussels Airlines**, as part of the airline's fleet modernization plan. The A320s replace several of the 47 aircraft in the airline's fleet.

The AirAsia Group took delivery of its 100th A320 in late May. The airline was founded in 2004 with two leased A320s. It has another 275 A320s, and A320 neo aircraft, on order. CEO **Tony Fernandes** told the press that **AirAsia** plans to order 50 more for delivery before the A320neos enter service.

AWAS leased one new A320 to **Air Via**, based in Varna, Bulgaria. In mid-2010, **AWAS** agreed to provide two A320s from its order book to **Air Via**.

Airbus delivered 33 A320s in April, including seven -214s (SN 5052, 5056, 5064, 5104, 5111, 5113 & 5116) to **easyJet**. **TAM** acquired three more -214s (SN 5066, 5107 & 5109). The latter two were leased from **Avolon Aerospace**. **Tiger Airways** accepted two -2 (SN 5073 & 5120) and leased the first one to **Mandala Airlines**. In Asia, **Airbus** delivered three Tainjin-built A320s, including one 214 (SN 4919) to **China Southern Airlines**, one -232 (SN 4911) to **Sichuan Airlines**, and one -232 (SN 4929) to **Shenzhen Airlines**. **Hong Kong Airlines** took delivery of two -214s (SN 5072 & 5114) and leased them to **Beijing Capital Airlines**. **IndiGo** received another -232 (SN 4080), **Silkair** accepted -233 (SN 5089), and **Spring Airlines** picked up -214 (SN 5108). **Jetstar Japan**, the country's newest low-cost carrier, leased its first -232 (SN 5093) from **Qantas Airways**. The airline will launch services in July operating from its base in Narita, to Kansai, Fukuoka, Sapporo, and Okinawa, with three aircraft. This fleet will grow to 24 aircraft within three years as **Jetstar Japan** leases more planes from **Qantas**. **SriLankan Airlines** leased -214 (SN 5086) from **CIT Leasing Corporation**. **GECAS** leased -214 (SN 5103) to **AirPhil Express/Philippines Airlines**, and -214 (SN 5112) to **GoAir**. Elsewhere in the world, **Qatar Airways** accepted -232 (SN 5078), **Star Flyer** leased -214 (SN 5102) from **GECAS**, **AWAS**

leased -214 (SN 5106) to **S7 Airlines**, and **Free Bird Airlines** leased -214 (SN 5096) from **Aviation Capital Group (ACG)**. **Niki** received -214 (SN 5115) and sold it to **Yes Airways**. **Air France** took delivery of -214 (SN 5084) and sold it to **Celestial Aviation Trading** for leaseback. **Lufthansa** accepted -214 (SN 5122), and **Wizz Air** received -232 (SN 5123). **LAN Airlines** took delivery of -214 (SN 5125), it was sold to **AWAS** and leased back. In 2011, **AWAS** agreed to purchase and leaseback five A320s that **LAN** ordered directly from the manufacturer for delivery in 2011 and 2012.

A321. **Airbus** delivered seven A321s in March, including two -231s (SN 5077 & 5093) to **THY Turkish Airlines**. An “undisclosed” operator took delivery of two -231s (SN 5025 & 5074). The press later reported that the planes went to **Gulf Air**, which had ordered three A319s and seven A321s in June 2010. **Saudi Arabian Airlines** took delivery of -211 (SN 5065), **Lufthansa** received its 60th A321 (-231 SN 5087), and **Aeroflot** accepted -211 (SN 5059).

Airbus delivered four A321s in April, including one -232 (SN 5124) to **Air China**, -211 (SN 5126) to **Air Berlin**, and the 27th -231 (SN 5118) to **THY Turkish Airlines**. **AWAS** leased a new -231 (SN 5099) to **Royal Jordanian Airlines (RJ)**. It is the fourth of seven new aircraft that **RJ** will lease from **AWAS** under a contract signed in early 2011.

A330 & A340. **Airbus** delivered six A330s in March and another 11 in April. Several airlines took delivery of one A330 in March and a second one in April. These included **Hawaiian Airlines** which accepted two -243s (SN 1295 & 1302), the two -303s (SN 1294 & 1300) that **GECAS** leased to **KLM Royal Dutch Airlines**, and the two -343Es (SN 1298 & 1307) that **THY Turkish Airlines** bought. **Aeroflot Russian Airlines** took delivery of two -343Es (SN 1299 & 1301) in March and April respectively. The planes and a third -343 were sold and leased-back with **GECAS**. **China Southern Airlines** received -223 (SN 1297) in March, while **China Eastern Airlines** accepted its ninth -243 (SN 1303), and **Air China** acquired -243 (SN 1304). **Virgin Atlantic** took delivery of -343E (SN 1296) in March, and **Virgin Australia** leased -243 (SN 1293) from **Aircastle**, and -243 (SN 1306) from **CIT Leasing Corporation** in April. Also in April, **Airbus** delivered two -343Es (SN 1292 & 1305) to **Lufthansa**, and the fourth and final -223F (SN 1180) to **Malaysian Airlines**.

A380. **Singapore Airlines** received the only A380 to be delivered in March and April. The -841 (SN 079) was also the 17th in **Singapore’s** fleet and the fifth super jumbo jet to be delivered in 2012. **Airbus** delivered **Malaysia Airlines’ (MAS)** first A380-841 (SN 084) on May 29. **MAS** became the eighth airline to operate the world’s largest airliner. The airline has another five A380s on order. The A380 is powered by Trent 900 engines, and features a premium three-class layout which accommodates a total of 494 passengers.

Transaero Airlines and **VEB-leasing**, a subsidiary of **Vnesheconombank**, signed an agreement that specifies that **VEB-leasing** will finance the acquisition of **Transaero’s** four new Airbus A380s, worth \$1.6 billion at list prices. **Transaero** will be the first Russian airline to operate the A380 when it is delivered later this decade.

Airbus Handed Over the Newly Repaired A380-841 (SN 014) to Qantas on April 21. The airline’s first A380, registered as VH-OQA, and named **Nancy Bird Walton**, suffered an uncontained engine failure nearly 18 months ago and has been grounded since then. Teams of **Airbus** engineers evaluated and repaired the plane at **Changi Airport**, in Singapore. **Airbus** replaced the jetliner’s no. 2 Rolls-

Royce Trent 900 engine and pylon, port wing electrical wiring system, flap and fairing components, as well as repairing of fuselage and skin panels, internal stringers and equipment. The job took more than 70,000 engineering man-hours to prepare the plane for two extensive test flights, and the eventual return to service on April 28. The repairs cost approximately A\$139 million and were paid for by the insurance companies.

Boeing 717. **Delta Air Lines** tentatively agreed with **Southwest Airlines** and **Boeing Capital** to sublease all 88 of **AirTran's** 717 aircraft. A final contract will be signed after **Delta**, **Southwest** and **Boeing Capital** agree to terms related to the aircraft leases. **Delta's** pilot union needs to ratify a tentative contract that allows the airline to replace 50-seat regional jets and some older DC-9s with the 117-seat 717s. The pilot contract also allows **Delta** to acquire up to 70 76-seat regional jets. **Southwest** will hand over three 717s per month to **Delta** starting in the second half of 2013 and ending in 2015. **Southwest** plans to keep its total fleet count relatively flat while the 717s are transferred to **Delta**. **Delta's** CEO, **Richard Anderson**, said, "These actions pave the way for us to restructure and up-gauge our domestic fleet, which will lower our costs, provide more pilot jobs, and improve the onboard experience for our customers."

British Aerospace. **Skyjet Airlines**, Philippines, started operations with regular charter services with one leased BAe 146-200 (SN E2031) and a Dornier 328, both in single-class configurations, in March. The airline flies thrice-weekly regular service from Manila to Batanes, and will perform ad-hoc domestic and international charter services as well. **Skyjet** plans to add another BAe 146-200 by June.

Korongo Airlines' first BAe 146-200 (SN E2102) flew to its base at Lubumbashi, Congo, from Brussels on March 27. The plane was acquired from **Brussels Airlines** and will operate on regional routes in Central Africa. The airline will acquire a second 146-200 (SN E2196) soon.

DAALLO Airlines, the operating name for the **Djibouti Dubai Express Holding Company**, purchased a BAe 146-200 (SN E2074) from the UK-based **Falko** company. The aircraft will be used on regional airline services linking the Republic of Djibouti to neighboring countries in the Horn of Africa and across the Gulf of Aden in the Arabian Peninsula.

Boeing 737NG. **Boeing** delivered 38 737s in March, including four -8AS/Ws (SN 38501, 38502, 40298 & 40299) to **Ryanair**. The manufacturer delivered multiple pairs of -800s to airlines and lessors. In the Americas, **Southwest Airlines** took delivery of its first two -8H4/Ws (SN 36890 & 36680) in March. The airline plans to take delivery of 33 -800s this year. **American Airlines** received two -823/Ws (SN 31141 & 33223), **Continental Airlines/United Airlines** bought two -924ER/W (SN 31651 & 40003), and **COPA Airlines** accepted two -8V3/Ws (SN 40778 & 41088). In Europe, **Norwegian Air Shuttle** took delivery of two -8JP/Ws (SN 39011 & 39012), and **TUI Travel** leased two -8K5/Ws (SN 37244 & 37266) to **Thomson Airways**. Elsewhere, **Boeing** delivered two -82R/Ws (SN 38177 & 38178) to **Pegasus Airlines**, and two -8B6/Ws (SN 33072 & 33073) to **Royal Air Maroc**. **Lion Air** accepted two -9GPERs (SN 37291 & 38315). Two leasing companies each received a pair of -800s. **Aviation Capital Group** leased two -8HX/Ws (SN 38105 & 38106) to **China Eastern Airlines**, and **GECAS** leased one -86N/W (SN 38025) to **Travel Service Airlines**, and one -86N/W (SN 39396) to **COPA Airlines**. **ILFC** leased -8Q8/W (SN 38826) to **Korean Air**, and **CIT Leasing Corporation** leased -8JP/W (SN 39444) to **Norwegian**. **AWAS** leased the second -81D/W (SN 39422) to **Skymark Airlines**. This is the 26th passenger aircraft to join **Skymark's** fleet. **Aerosvit Ukrainian Airlines** received the first of 11 new -84R/Ws (SN 38119) in March. **Boeing** delivered seven -800s to

Asia/Pacific airlines, including one -81B/W (SN 38918) to **China Southern Airlines**, one -8U3/W (SN 38074) to **Garuda Indonesian**, -84P/W (SN 38151) to **Hainan Airlines**, one -838/W (SN 39363) to **Qantas**, one -85N/W (SN 38638) to **Shandong Airlines**, one -8FE/W (SN 41000) to **Virgin Australia Airlines**, and one -85C/W (SN 38388) to **Xiamen Airlines**.

Boeing Delivered 38 737s in April, including four -8AS/Ws (SN 40293, 40294, 40296 & 40297) to **Ryanair**, and three -8H4/Ws (SN 36681, 36683 & 36983) to **Southwest Airlines**. The manufacturer delivered two 737s to many airlines in April. **Air Europa** accepted two -85P/Ws (SN 35496 & 36588), **American Airlines** received two -823/Ws (SN 31143 & 33314), and **Continental Airlines/United Airlines** bought two -924ER/W (SN 31646 & 40004). **COPA Airlines** accepted two -8V3/Ws (SN 38141 & 41089) and **Lion Air** accepted its first two -8GPERs (SN 37292 & 38317). The airline has another 10 on order. **TUI Travel** took delivery of two -8K5/Ws (SN 37246 & 37267) and leased the first to **TUIFly Nordic** and the second to **Thomson Airways**. **Xiamen Airlines** received two -85C/Ws (SN 38389 & 38390). Two leasing companies each received a pair of -800s. **Aviation Capital Group** leased -8K5/W (SN 38107) to **Thomson Airways** and -8H4/W (SN 39882) to **Southwest Airlines**. **GECAS** leased one -86N/W (SN 38026) to **Solaseed Air** and one -86N/W (SN 39397) to **SAS**. In Europe, **Transavia Airlines** accepted -8K2/W (SN 39261) and **Air Berlin** took delivery of -86J/W (SN 37765); it was sold to **SpiceJet**. **RBS Aviation Capital** leased -8K5/W (SN 39923) to **TUIFly**. In the Asia/Pacific region, **China Southern Airlines** acquired the only 737-700 to be delivered, -71B/W (SN 38919). It was also the 4,000th Next-Generation 737 jetliner off the production line in Renton, Washington, and the 75th 737 delivered directly to the airline. **China Southern** has another 45 737-700/-800s on order. It operates 450 airplanes and is the largest airline in China and the sixth largest carrier worldwide. **Air China** received -89L/W (SN 40033) and leased it to **Dalian Airlines**. **Hainan Airlines** bought -84P/W (SN 38152), **Japan Airlines** accepted -846/W (SN 39191), and -8U3/W (SN 38070) was delivered to **Garuda Indonesia**. **ILFC** leased -8Q9/W (SN 38827) to **Korean Air**, and **CIT Leasing Corporation** leased -8BK/W (SN 39445) to **Qantas**. Elsewhere in the world, **Ethiopian Airlines** accepted -860/W (SN 40964), and **Pegasus Airlines** received -82R/W (SN 38178).

Boeing officially delivered the third Peace Eye 737 Airborne Early Warning and Control (AEW&C) aircraft to the **Republic of Korea Air Force (ROKAF)** on May 16. The plane is the second one to be modified by **Korea Aerospace Industries (KAI)** at its facility in Sacheon. The fourth Peace Eye 737 will be delivered to the **ROKAF** by **KAI** by the end of 2012.

Also in May, **GECAS** announced that it leased a new -900ER to India's **Jet Airways** to expand its fleet. **GECAS** leased a fifth new -800 to Czech Republic-based **Travel Service**. **Travel Service** committed to lease five -800s, with two delivered in 2011 and three more due in 2012. As of June, the airline will operate a fleet of 21 737-800s and three 737-700s. Both May deliveries came from the lessor's existing order book with **Boeing**.

In May, **AWAS** agreed to lease two more 737-800s from its backlog with **Solaseed Air**. Both aircraft will be delivered to **Solaseed** in the second half of 2013. **AWAS** leased two 737-300s to low-cost carrier **VivaAerobus**. **AWAS** has delivered six 737 Classics to the Monterrey, Mexico-based airline.

Boeing 747. **Boeing** delivered the third of 13 ordered -8R7Fs (SN 39807) to **Cargolux Airlines**, and the second of five -8HVF's (SN 37668) to **Volga-Dnepr UK Ltd.**, in March. The latter plane was leased to **AirBridgeCargo Airlines**. **ABC** is the first airline in Eastern Europe to operate the 747-8 Freighter.

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In April, **Boeing** handed over the second 747-8 Intercontinental VIP airplane (-8KB SN 37075) to the **Qatar Airways Amiri Flight**. The VIP 747 will enter service in two years after its VIP interior is installed.

Cargolux took delivery of its fourth of 13 ordered 747-8R7F Freighters (SN 36810) in late May. The plane, registered LX-VCE, is the first **Cargolux** aircraft that was not part of the test flight program; it is the first 747-8F that has a maximum takeoff weight of 442 tons. The new freighter replaced a 747-400F that will leave the fleet this summer. **Cargolux** will take delivery of several -8Fs this year and will retire a like number of -400Fs.

United Airlines sold a second 1997-vintage 747-422 (SN 28716) to **Scaled Composites** in California. Parts of the two 747s will be used to build the world's largest aircraft. It will serve as a mobile platform for low cost satellite launches. The two transactions were arranged by **Bristol Associates**.

Boeing 757. National Airlines, in Michigan, leased 20-year-old -200 (SN 24543) from **Global Knafaim Leasing**, Israel. The lease was arranged by **IBA**. **National Airlines** will operate the **Rolls-**powered aircraft on its passenger charter operation.

Boeing 767. Boeing delivered the 33rd and final -381ER (SN 40898) to **All Nippon Airways** in March. **United Parcel Service—UPS** accepted -34AERF (SN 37947) in March, and it received two more -34AERFs (SN 37873 & 37874) in April. The airline received its 50th -34AERF (SN 37876) in late May. **UPS** now has the world's largest 767 Freighter fleet, and has nine more on order. **Boeing** also delivered 75 757-200 Package Freighters and eight 747-400 Freighters to **UPS**. **Jet Midwest Group** is buying 17 767-200s from **Air Canada**. The company said the "acquisition will expand our wide-body leasing capabilities [and] will further diversify our aftermarket supplier inventory." The company offers airplanes and engines for lease through its Los Angeles office and supplies aircraft parts at the **Kansas City International Airport Overhaul Base**.

Boeing 777. Boeing delivered eight 777s in March, including four -300ERs and four 777Fs. **Cathay Pacific** accepted its 22nd -367ER (SN 37900). In the Gulf region, **Saudi Arabian Airlines** received its fourth of 12 -368ERs (SN 41051), and **Emirates** received -31HER (SN 45598). **Emirates** leased its fourth -F1H (SN 35613) from **Dubai Aerospace Enterprise**. **Qatar Airways** took delivery of -3DZER (SN 41062) and -FDZ (SN 41427). In the U.S., **FedEx** accepted its 15th -FS2 (SN 37734) and **Oak Hill Capital Management** leased the third of four -FZBs (SN 37988) to **Southern Air Transport**.

The First 747-8 Intercontinental passenger airliner (-830 SN 37827), was delivered to **Deutsche Lufthansa** on April 25, 2012. The airplane flew to its permanent home base in Frankfurt, Germany, on May 1. The 747-8 Intercontinental offers double-digit improvements in fuel burn and emissions over the 747-400, while making 30 percent less noise; it is powered by **General Electric** GENx-2B engines. The airplane will start regular revenue flights from Frankfurt to Washington, D.C., on June 1. Another four -830s will be delivered to **Lufthansa** this year. The airline was supposed to receive its first two fourth-generation 747s at the end of last year, but production problems delayed the arrivals. **Lufthansa** retired two of its 28 747-400s earlier this year, and will sell or part-out a third. The airline will receive four new A380s in 2012, bringing its A380 fleet to a total of 12 aircraft.

In April, Boeing delivered two -328ERs (SN 38865 & 40063) to **Air France**. The later was the airline's 60th 777 airliner, and was leased from **Air Lease Corp.** By this summer, **Air France** will operate 62 passenger 777s and two 777 Freighters. **All Nippon Airways** accepted its 50th 777, a -281ER (SN 40900). **Air China** received its sixth -39LER (SN 38669) and **Cathay Pacific** took delivery of its 23rd -367ER (SN 37898). **Oak Hill Capital Management** leased the fourth -FZB (SN 37989) to **Southern Air Transport**. **Boeing** is raising 777 production by 20 percent this fall, from an average of seven per month to 8.3 airplanes. The manufacturer will begin building 100 airplanes per year beginning in 2013. As of April 30, **Boeing** has sold 1,367 777s to 64 customers around the globe and has delivered 1,009 of them.

Boeing flew its first South Carolina-built 787 Dreamliner (SN 36277) on May 23. The plane successfully conducted a five-hour test flight. It was rolled out of the Charleston manufacturing plant on April 27, and it will be delivered to **Air India** in June. **Air India** will receive five 787-8s this year. The first ones will be deployed on high-frequency routes between large cities within India for the first few months. This will allow many pilots to become familiar with the new type. **Air India's** 787s will start long-haul international services in August.

Boeing 787. **Japan Airlines** took delivery of its first two -8s (SN 34832 & 34835) on March 25 and received another two (SN 34836 & 34837) exactly one month later. In late March, **All Nippon Airways** accepted its sixth -8 (SN 34515) and the seventh -881 (SN 34514) arrived in mid-April. **Boeing** has delivered 11 787-8s as of April 30. After assigning customer codes to its commercial passenger aircraft for approximately 65 years, **Boeing** decided not to put customer code numbers and letters on its 787 Dreamliners. They will simply be referred to as "787-8s" or "787-9s". All the other aircraft in production will still be tagged with customer codes, some of which date back to 1947, when airlines were buying Boeing 377 Stratocruisers.

Bombardier delivered CRJ702NG (SN 10332) to the **Turkmenistan Government** in March. There were no other regional jet deliveries.

Embraer delivered two EMBRAER 170-200 STDs (SN 17000333 & 17000334) and EMBRAER 190 STD (19000512) to **Air Lease Corp.**, in March. The planes were leased to **Alitalia**. **Flybe** also received an E175 (SN 17000336). **Azul Linhas Aereas** took delivery of E195 (SN 19000514) and **KLM Cityhopper** bought E190 (SN 19000522). **China Southern Airlines** leased E190 (SN 19000524) from **CBD Leasing Corp.** **Lufthansa Cityline** acquired E195 (SN 19000523), and **Aerolittoral**, Mexico, took delivery of E190 (SN 19000525). **Tianjin Airlines** received E190 (SN 19000527).

In April, Embraer delivered EMBRAER 170-200 STD (SN 17000335) and EMBRAER 190 STD (19000520) to **Air Lease Corp.**, for lease to **Alitalia**. **Air Lease Corp.** leased E190 (SN 19000557) to **Air Astana** and E190 (SN 19000496) to **Bulgaria Air**. **Azul Linhas Aereas** took delivery of E195 (SN 19000521) and **Tianjin Airlines** received E190 (SN 19000536). **CBD Leasing Corp.** leased two E190s (SN 19000529 & 19000535) to **China Southern Airlines**. **KLM Cityhopper** bought two E190 (SN 19000528 & 19000533) and **Lufthansa Cityline** acquired E195 (SN 19000532).

GE Capital Aviation Services (GECAS) leased three owned E170s to **Régional Compagnie Aérienne Européenne**, the wholly owned regional airline subsidiary of **Air France**. By the end of June, **Régional**

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will lease three more E170s that **GECAS** manages on behalf of other owners. All six E170s were previously operated by **Alitalia Express**.

Sukhoi Superjet. **Aeroflot** took delivery of SSJ100-RRJ-95B (SN 95016), in early April. **Sky Aviation** suspended its purchase of 12 Superjets as a reaction to the Superjet crash in Indonesia. The Indonesian airline had several representatives on the airplane. So far, other customers have not reacted so precipitously. **Sukhoi** has sold approximately 200 Superjets to date.

Turboprops

ATR delivered the fifth ATR 72-600s (SN 996) to **Azul Linhas Aereas**, and ATR 72-600 (SN 989) to **Caribbean Airlines** in March. **UTair** accepted two -500s (SN 994 & 1000) and **Air Nostrum** received -600 (SN 995) in April. **Air Lease Corp. (ALC)** leased ATR 72-600 (SN 998) to **TRIP Linhas Aereas**.

ATR delivered its 1,000th aircraft on May 3rd, an ATR 72-600 (SN 999) to the Spanish airline **Air Nostrum**. The plane was decked out with a large red "1000" sticker behind the rear door. **Air Nostrum** operates regional services for **Iberia**. **ATR** delivered the first ATR 42 to French airline **Air Littoral** on December 3, 1985. Since the recovery of the turboprop market in 2005, **ATR** has sold nearly 500 new aircraft and delivered nearly 333 airplanes. **Brazilian carrier Passaredo Linhas Aéreas** leased the first of four ATR 72-600s from **Air Lease Corporation (ALC)** on May 22. At the delivery ceremony, **ATR** and **Passaredo** officially announced that they signed a contract for 10 ATR 72-600s plus 10 options. The deal was valued at \$450 million. The rest of the leased ATRs will be delivered this year, and the orders will be filled in 2013 and 2014. **Passaredo** will also lease two ATR 72-500s this year.

McDonnell Douglas. **AerSale**, a Coral Gables, Florida-based lessor, paid a substantial deposit to buy 25 MD-90s from **Saudi Arabian Airlines**. The lessor received its first MD-90-30 (SN 53506) in early April. Another two aircraft were flown from Saudi Arabia to Roswell, New Mexico, later that month. The rest will be handed over at a rate of three per month. **Saudi Arabian** retired its 27 passenger MD-90s from 2009 to 2011. It is selling 24 of those 27 MD-90s, as well as one VIP MD-90 that is still flying for the Saudi royal family. The VIP plane will be transferred to **AerSale** in 2013. The company intends to offer the best of the MD-90s and will part-out the rest. At this moment, **Delta** is buying MD-90s, but may spurn the **Saudi** planes because they were fitted with MD-11 style flight decks. The 25 airplanes were delivered between 1998 and 2000, and are equipped with IAE V2500 engines. **Delta** operates 34 MD-90s and is buying more. Other airlines fly another 25 planes, and 49 MD-90s are in storage around the world. **Saudi Arabian** is replacing its MD-90s with A320s and A321s.

Bombardier delivered Dash 8Q-402 NextGen (SN 4401) to **All Nippon Airways** in March. **Horizon Air** accepted Q400 NG (SN 4409) in May. Also in May, **Bombardier** delivered the first of eight Q400 NextGen airliners (SN 4406) to **EuroLOT S.A.** of Warsaw, Poland. The regional carrier also holds options on an additional 12 aircraft.

Accidents and Safety

From Aviation Safety Foundation

April-May 2012

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Sukhoi lost one of its Sukhoi Superjet 100-95 demonstration planes (SN 95004) when it hit a mountain 45 miles south of Jakarta, Indonesia, on May 9. All 45 people on board were killed. The black box flight recorder was recovered four days later and is the subject of intense investigation. The pilot radioed to air traffic control asking to descend to 6,000 feet from its cruising altitude of 10,000. The plane hit high ground near Mount Salak at about 5,100 feet. The plane was operating demonstration flights for prospective customers in Indonesia including representatives of **Batavia Air**, **Pelita**, **Aviastar Mandiri**, **Sriwijaya Air**, and officials from the Russian Embassy. The plane had previously flown in Kazakhstan, Myanmar, and Pakistan.

Bhoja Airlines Boeing 737-236 (AP-BKC, SN 23167) crashed near **Benazir Bhutto International Airport**, Islamabad, Pakistan, on April 20, and all 121 passengers and six crew members were killed. The airplane was operating the airlines inaugural flight on that route. The 27 year-old 737 crashed and broke up as the plane approached the runway.

A Former Champion Air Boeing 727-212 (XB-MNP, SN 21348) was intentionally crashed at Laguna Salada, Mexico, for a television program being filmed by several TV channels in Germany, the U.K. and the U.S. The test was performed with the coordination of the **Mexican DGAC** and government agencies. The plane was remotely piloted and was written off.

ATR 72 Accidents. Royal Thai Air Force - RTAF ATR-72-212A (L16-2/52, SN 881) was substantially damaged at **Shahjalal International Airport**, Dhaka, Bangladesh, on April 30. The airplane ran off the runway upon landing and hit a concrete barrier. The right wing was damaged and two of the eight passengers suffered minor injuries. **Air Dolomiti** ATR-72-212A (I-ADCD, SN 664) also exited the runway and stopped in the grass. The nose gear collapsed and one passenger was injured. The accident happened on May 17 at **Franz Josef Strauss Airport**, München, Germany. The pilot reported an engine problem and feathered the number 2 propellor before landing. There were 58 passengers and four crew members on board.

Turboprop Accidents. Agni Air Dornier 228-212 (9N-AIG, SN 8216) struck the side of a mountain near **Jomsom Airport**, Nepal, on March 14. Thirteen passengers and two pilots were killed, while the flight attendant and five passengers survived the accident. The airplane was supposed to land at Jomsom, but the pilot told air traffic control that he was diverting to Pokhara. The plane crashed shortly after that. **Air Tanzania** de Havilland Canada DHC-8-311Q (5H-MWG, SN 462) was substantially damaged when it failed to takeoff from **Kigoma Airport**, Tanzania, on April 9. All 39 passengers and crew survived. The right hand undercarriage apparently struck a pothole in the runway, causing the right wing to fail and the no. 2 engine broke loose. The plane was written off. **A Jubba Airways** Antonov 24

Russian carrier UTair was ordered to revise its de-icing procedures by **Rostransnadzor**, the Russian transport supervisory agency. This was in response to the fatal ATR 72-200 crash at Tyumen. The agency claimed that four **UTair** planes were not properly de-iced before taking off from Moscow's **Vnukovo Airport**. Russia's **Interstate Aviation Committee** is formally investigating the cause of the crash and discovered the de-icing procedure was not properly conducted. **UTair** suspended its ATR 72-200 operations, but affirmed its confidence in the turboprop. It will restart turboprop services with its newer ATR 72-500s after making procedural changes. In the past, the flight crew would call for de-icing, but now the de-icing will be carried out in all weather conditions which could contribute to icing on the ground.

April-May 2012

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(registration unknown) was destroyed in a landing accident at **Galkayo Airport**, Somalia, on April 28. The plane was operated on a domestic passenger flight from Hargeisa to Galkayo, and its tires blew out when it landed. The plane broke in two, but none of the four crew nor 32 passengers were killed.

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AVMARK's Transport Aircraft Values (TAV); reports current fair market values by year of build and projects the future value of all transport category aircraft.

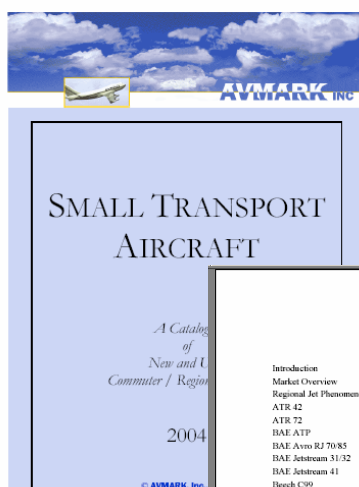
AVMARK's Historic Jet and Turboprop Values; summary of the then current fair market values as published in the AVMARK Newsletter for all jets and turboprops in service.

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STA is designed as an easy to use reference guide to compare the operating and cost parameters of 35 regional jet and turboprop aircraft. Information includes development history, current production status, configuration and operating performance and costs as reported to the DOT. Pictures of each aircraft are also included.



SMALL TRANSPORT AIRCRAFT
A Catalog of New and Used Commuter / Regional Aircraft
 2004
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MARKET OVERVIEW

Most dynamic and fastest growing segment in the world, using old generation propeller aircraft to transport 50 million passengers using state of the art.

Online Association (RAA):

Online:

99%:

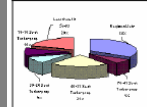


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Dornier 228	70
Dornier 328	74
Dornier 328JET	78
Dornier 728JET	82
de Havilland DHC-6	86
de Havilland DHC-7	90
de Havilland DHC-8 100/200	93
de Havilland DHC-8 300	100
de Havilland DHC-8 400	104
Embraer 120 Brasília	108
Embraer Regional Jet (ERJ) 135/140/145	112
Embraer 170	121
Menlo	124
Fokker 50	128
Fokker 70	132
Let 410/420	136
Seab 340	140
Seab 2000	144
Shorts 130	148
Shorts 360	152

ATR 42-300

In Service: 1985 Orders: Out of Production Deliveries: 284

Specifications	
Accommodations	40
Passengers*	40
Pilots	2
Cabin Attendants	1
Powerplant	1,800 SHP / 1,342 kW
2 Pratt & Whitney PW120 Turboprops	4 blades
Wingspan	24.8 m
Length	24.8 m
Height	6.8 m
Wing Area	170 / 170 / 53 sq ft
Weight	36,815 lb
Max Ramp Weight	36,155 lb
Max Landing Weight	33,510 lb
Max Takeoff Weight	22,875 lb
Max Cruise Weight	10,835 lb
Max Altitude	9,920 ft
Max Speed	62.83 kt / sq ft
Max Range	10.22 hr/1,000 mi

Standard Equipment: Right engine Propeller Brake, Airsearch Air Conditioning, Stall Warning.

Optional Equipment: KLN 90A GPS/W, FMS, Area Navigation (RNAV), Microwave Landing System, VLF/Omega Long Range Navigation System, Dual Honeywell AZ-800 Digital Air Data Computers, FA System, HF Radio, Collins Avionics in place of King Avionics, CAT II.

Avionics: EDZ 820 Electronic Flight Instrument System (EFIS) - 4 CRT's for dual Altitude and Heading Reference Systems (AHRS) - 5,432,000 Air Data Computers (ADC) - 1 DFC-400 Autoland Flight Director - Dual King Gold Crow DFC-900 Flight Director, Dual King Gold Crow Dual King Gold Crow VHF Nav Radio, DME, Radio Altimeter, Honeywell P-800 Weather Radar.

Price List

Years Built	Base (\$ mil)
85-96	3.0

Direct Operating Costs (\$ per block hour)

Utilization (Block Hours / Year)	100	300
Average Stage Length (nm)		
Flying Operations	\$180	\$180
Flight Crew, Salaries / Expenses	\$173	\$162
Fuel, Oil, Taxes	\$3	\$3
Other		
Aircraft Costs		
Insurance	\$3	\$3
Maintenance	\$476	\$415
Depreciation	\$62	\$62
Rentals	\$318	\$318
Total Direct Operating Costs	\$905	\$633
Cost per Available Seat Mile - \$	12.33	9.65
Cost per Airplane Mile	\$5.67	\$4.44
Cost per Seat Block Hour	\$18.67	\$15.1

Note: Data from DOT 41line filings.

ATR 42

THE AVIONS DE TRANSPORT REGIONAL (ATR) first flew in August 1984, and entered service in December 1985 with the French regional Air. The aircraft is a joint venture between Aerospatiale of France and Aeritalia of Italy. The ATR 42's name originally designated it as a 42 passenger aircraft, but subsequent reduction of the forward baggage compartment now allows for a seating configuration of up to 50 passengers.

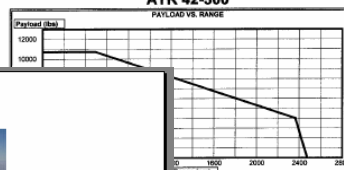
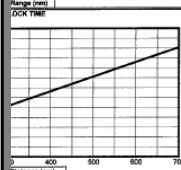
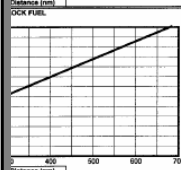
The baseline aircraft is the ATR 42-300/320 powered respectively by PW120/121 engines. The latest version is the ATR 42-500 powered by PW127 engines and Hamilton six bladed propellers. Thus increasing the payload to 12,015 lb and the cruise speed to 300 kts.

The standard front cargo door allows the aircraft to be quickly converted from a passenger layout to freighter. Unique among turboprops, is the integration of a Propeller Brake on the right engine, which allows running of the engine in "Idle" mode to provide aircraft electrical power and air conditioning without the inconvenience and safety hazards of a rotating propeller.

The ATR 42 and ATR 72 have a very high degree of commonality, allowing for cross-crew qualification, and a common spare parts holding.

TYPICAL CABIN CONFIGURATION

48 seats in a four abreast layout with a center aisle. Access to the cabin is by an air stair at the rear passenger door, and a modular galley in the rear of the aircraft is serviced through the same door. A standard toilet is located in the rear of the aircraft behind the passenger door. Baggage is accommodated in overhead bins on both sides of the cabin, under seat storage, in an extremely accessible forward and aft baggage compartment, and in a closet.

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Select Aircraft Type

Available Aircraft

- Airbus A300B4-600R
- Airbus A300B4-600RF
- Airbus A310-200
- Airbus A310-200F
- Airbus A310-300
- Airbus A310-300F
- Airbus A318
- Airbus A319-100
- Airbus A320-100
- Airbus A320-200
- Airbus A321-100
- Airbus A321-200
- Airbus A330-200
- Airbus A330-300
- Airbus A340-200
- Airbus A340-300
- Airbus A340-500
- Airbus A340-600
- Airbus A350-800
- Airbus A350-900
- Airbus A380-800
- Avro RJ-100
- Avro RJ-70
- Avro RJ-85
- RAe 111-200/300/400/500

Picture



Selected

Airbus A340-300

Description

Widebody 4 Engine Passenger

Manufactured

1992 To 2006

Values

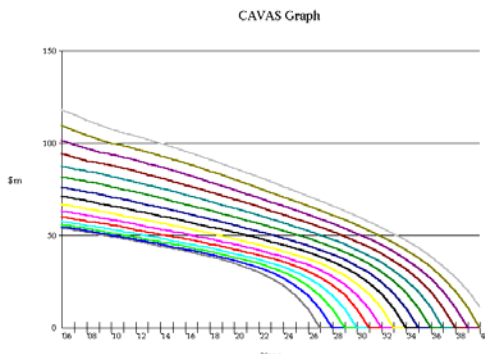
\$54.00m \$118.00m

Estimated Life

35 years File No. 013

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CAVAS Figures

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2006	54.00	54.61	55.83	57.66	60.10	63.34	66.80	71.07	72.94	81.43	87.52	94.23	101.54	109.47	118.00
2007	52.83	53.49	54.73	56.34	58.98	62.01	65.42	69.85	74.86	80.77	85.92	92.18	99.12	106.73	115.25
2008	51.69	52.36	53.61	55.23	57.85	60.84	64.23	68.69	73.65	79.18	84.76	90.49	96.97	104.20	112.39

Profit & Loss Report

Aircraft Type: Airbus A340-300

Period	1	2	3	4	5
REVENUES (US\$)					
Passengers	49,328,754	49,270,739	49,212,559	49,154,213	49,095,701
Freight & Mail	8,879,176	8,868,733	8,858,261	8,847,758	8,837,226
Other Revenue	986,575	985,415	984,251	983,084	981,914
TOTAL OPERATING REVENUE	59,194,505	59,124,887	59,055,070	58,985,055	58,914,841
VARIABLE EXPENSES					
Fuel	6,918,975	6,917,743	6,916,470	6,915,177	6,913,846
Landing Fees	3,021,823				
Enroute Charges	392,440				
Pax Commissions	7,399,313				
Freight Commissions	1,331,876				
Food & Supplies	3,999,194				
Passenger Liability Insurance	379,590				
TOTAL VARIABLE COST	23,443,212				
SEMI-VARIABLE EXPENSES					
Crew Salaries & Expenses	5,177,760				
Maintenance & Engineering	587,650				

Profit & Loss Report

Aircraft Type: Airbus A340-300

Period	1	2	3	4	5
FIXED EXPENSES					
Station Overhead	346,597	345,923	345,249	344,575	343,901
Maintenance Burden	176,295	351,824	526,586	700,581	873,810
Other Overhead	0	0	0	0	0
TOTAL FIXED COST	522,892	697,747	871,835	1,045,156	1,217,711
TOTAL OPERATING COST	31,464,497	32,185,749	32,903,601	33,618,052	34,329,104
General and Admin. Allocation	1,573,225	1,609,287	1,645,180	1,680,903	1,716,495
TOTAL COST	33,037,722	33,795,036	34,548,781	35,298,955	36,045,599
OPERATING PROFIT OR LOSS	26,156,782	25,329,851	24,506,290	23,686,100	22,869,282
D-CHECK ADJUSTMENT					
Cumulative Hours	4,830	9,650	14,459	19,257	24,045
Cumulative Dollars	315,000	0	0	0	0
ADJUSTED CASH FLOW	25,841,782	25,329,851	24,506,290	23,686,100	22,869,282
AIRCRAFT LIFE ADJ. CASH FLOW	25,841,782	25,329,851	24,506,290	23,686,100	22,869,282

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