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Market Comment

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Boeing Launches the 737 MAX. “The 737 MAX will deliver maximum efficiency, maximum reliability and offer maximum passenger comfort. We call it the 737 MAX because it optimizes everything we and our customers have learned about designing, building, maintaining and operating the world's best single-aisle airplane,” said **Nicole Piasecki**, Vice President of Business Development and Strategic Integration, **Boeing Commercial Airplanes**. The new engine variant of the 737 family of aircraft will be offered in three versions: the 737 MAX 7, 737 MAX 8 and 737 MAX 9. **Boeing** said the 737 MAX will be much more efficient than the Next Generation 737 and deliver a 7 percent reduction in operating costs over the A320neo Family due to the **CFM International LEAP-1B** engines, more efficient structural design and lower maintenance costs. **Boeing's** press release stated, “When compared to a fleet of 100 of today's most fuel-efficient airplanes, this new model will emit 277,000 fewer tons of CO2 and save nearly 175 million pounds of fuel per year, which translates into \$85 million in cost savings. The airplane's fuel burn is expected to be 16 percent lower than our competitor's current offering and 4 percent lower than their future offering.” The **Boeing Company** Board of Directors approved the launch of the 737 MAX on August 30, based on order commitments for 496 airplanes from five airlines and a strong business case. Deliveries are scheduled to begin in 2017. **Boeing** forecast a global demand for more than 23,000 single-aisle airliners over the next 20 years, which are worth nearly \$2 trillion. To date, **Boeing** has sold more than 9,000 737s.

Airbus Orders

Airbus Sold 145 Airliners in July and delivered 40. The July sales raised **Airbus'** total net orders for 2011 to 785, and the backlog reached an historic 4,039 aircraft. **American Airlines'** industry-shaking order for 130 A321s was added to the firm order totals. The airline optioned another 130 A320 Family aircraft and split its order between the standard and **Airbus'** New Engine Option (neo). The airline has the option to switch aircraft types between the A319, A320 and A321. All the new Airbuses will be delivered with sharklet, fuel-saving, wingtip devices. **Airbus** sold 15 A330s to three different customers.

<i>Table of Contents</i>	
<i>Market Comment</i>	<i>1</i>
AIRCRAFT & ENGINE ORDERS	
<i>Airbus</i>	<i>2</i>
<i>American Airlines</i>	<i>5</i>
<i>Boeing</i>	<i>6</i>
<i>MAKS 2011</i>	<i>10</i>
<i>Regional</i>	<i>12</i>
<i>Order Changes</i>	<i>13</i>
<i>Engines</i>	<i>13</i>
<i>Leasing Companies</i>	<i>14</i>
AVIATION BUSINESS	
<i>Airline News</i>	<i>15</i>
<i>Cargo Pallet</i>	<i>17</i>
<i>Military Market</i>	<i>17</i>
AIRCRAFT DELIVERIES, SALES & LEASES	
<i>Jet Aircraft</i>	<i>19</i>
<i>Turboprop Aircraft</i>	<i>24</i>
<i>Antiques & Junque</i>	<i>24</i>
<i>Accidents & Safety</i>	<i>25</i>
PUBLICATIONS & FORMS	
<i>Avmark Capabilities</i>	
<i>Avmark Publication Samples</i>	
<i>Current Avmark Publications</i>	
<i>Publication Form</i>	

The **International Airlines Group**, the combination of **Iberia** and **British Airways**, ordered eight A330-300s for operation by **Iberia**. This marks the first order by either airline for the A330 type and will be **Iberia's** only twin-engine widebody aircraft. Both airlines operate A320 Family aircraft and **Iberia** flies 26 A340s, while **BA** has a dozen A380s on order. **Garuda Indonesia**, the country's flag carrier, ordered four A330-300s and switched half of its six A330-200 orders to the -300 type. The -300s will be delivered in the high-gross weight, 235-ton MTOW version. They will link Indonesia with destinations in the Middle East, Asia and the Pacific. **MTAD—Airbus Military** ordered three more A330-200 MRTTs. The order was announced on July 25 and recorded under the heading "**Airbus** Executive and private jets" at the **Orders, Deliveries, Operators** web page. The government end-user was not identified.

Airbus delivered 32 A320 Family aircraft, six A330s, and one A380 each to **Korean Air** and **Lufthansa**. To date, **Airbus** handed over 53 A380s to the airlines. It has delivered 298 aircraft in the first seven months of 2011.

Lufthansa ordered 30 A320neo Family aircraft in late July. The **Lufthansa Supervisory Board** signed a Memorandum of Understanding (MOU) for the A320neo aircraft in March. The airline will take delivery of 25 A320neo and five A321neo aircraft, which will be fitted with Pratt & Whitney PW1100G turbofan engines. The **Lufthansa Group** is **Airbus'** biggest airline customer and has purchased a total of 443 **Airbus** aircraft. The group currently operates 254 A320 Family; 38 A330s; 65 A340s; and eight A380s. **Lufthansa Group** has an order backlog of 85 A320 Family aircraft, eight A330s, and seven A380s.

International Airlines Group (IAG) confirmed its firm order of eight A330-300s for operation by **Iberia**. The airline holding group signed a MOU at the **Paris Air Show**. **IAG** selected **General Electric** CF6-80E1 engines to power the A330s. **Iberia** currently operates A340s on its long-haul services. As previously reported, **IAG** was created following the merger of **Iberia** and **British Airways** in January 2011. It is one of the world's largest airline groups by revenue, **Airbus** said.

August Orders for 234 Aircraft Boosts Airbus' Net Total to 11,075. This number includes nearly 8,000 A320 and A320neo Family aircraft. **Airbus'** backlog grew to a record 4,233 aircraft as of August 31, representing seven years of full production at current output rates. The August orders included the sale of 50 A320neo aircraft to **CIT**, 30 A320neo Family aircraft to **Lufthansa**, and 30 A321neo aircraft to **Cebu Pacific**. **Garuda Indonesia** finalized its order for 25 A320 Family aircraft. **Thai Airways**

International ordered five A320s and four A350-900s, and new customer **Lao Airlines** bought two A320s. Two Chinese companies, **CAS** and **ICBC** ordered 46 and 42 A320s respectively. With the August bookings, **Airbus** net orders reached 1,015 aircraft in the first eight months. The manufacturer delivered 30 A320 Family aircraft, five A330s, and one A380, in August. **Airbus** delivered 334 airplanes in the first eight months of 2011.

Cebu Pacific finalized a firm order for 30 A321neo aircraft in August. The airline signed an MOU for the planes in June. With this latest purchase, the Philippine low-cost carrier has ordered 71 A320 Family and has taken delivery of 16. The airline leases nine other A320 Family aircraft. **Cebu Pacific** will configure its A321neo fleet with 220 seats in a single class layout. It serves 34 domestic and 16 international cities. The airline will choose between the **CFM International** LEAP-X and **Pratt & Whitney** PurePower PW1100G at a later date.

Garuda Indonesia became a new A320 customer when it confirmed its purchase of 25 A320 Family aircraft. The airline signed an MOU for the planes at the **Paris Air Show** in June. **Garuda Indonesia** ordered 15 standard A320s and 10 A320neo aircraft. The airplanes will be operated by **Garuda's** low cost unit **Citilink**. The airline will announce its engine selection in the near future.

Thai Airways International signed a contract to buy four A350-900s and five A320 aircraft as part of its fleet modernization program. The A350 XWB will operate long-haul services to Europe and the A320s will fly on domestic and regional routes. The airline will lease eight A350-900s and six A320s from leasing companies. **Thai** is one of **Airbus'** longest standing customers and currently operates A300-600s, A330s and A340s. The airline will operate the A380 in the second half of 2012.

Airbus Orders, Deliveries and Backlog July 2011

JUL ORD	JUL DEL	JUL CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	80	74	6
			A319		
-0-	10	-0-	1,470	1,295	175
			A320		
-0-	16	-0-	5,080	2,722	2,358
			A321		
130	4	-0-	1,062	659	403
			A330		
-0-	6	-0-	1,155	802	353
			A340		
-0-	-0-	-0-	379	375	4
			A350		
-0-	-0-	-0-	567	-0-	567
			A380		
-0-	2	-0-	236	53	183
This Month			This Year		BL
130	38	-0-	785	298	4,039

Airbus sold 10,845 aircraft and delivered 6,806 as of July 31, 2011.
Total orders, deliveries and backlog include cancellations and order changes.

CIT Aerospace signed a firm purchase contract for 50 A320neo Family aircraft that were covered by an MOU announced at the 49th **Paris Air Show**. The deal raises **CIT's** orders for **Airbus** aircraft to 237, including 191 A320 Family aircraft, 41 A330s, and five A350 XWBs. To date, 144 planes have been delivered. **CIT Aerospace**, a subsidiary of **CIT Group**, is a global leader in transportation finance.

Lao Airlines purchased two A320s in August. The aircraft will be operated on in two-class configuration on domestic routes and to major cities in South East Asia. The A320s will be powered by CFM56 engines. The Vientiane-based national carrier of the Lao People's Democratic Republic is a new **Airbus** customer.

China Aviation Supplies Holding Company (CAS) and **ICBC Financial Leasing Co. (ICBC Leasing)** ordered 88 A320 Family aircraft in June and finalized the orders on August 8. **CAS** served as the **Chinese Government's** single-aisle aircraft purchasing agent since the first A320 was ordered by China in 1995. **CAS** currently has three A319s and 51 A320s in its backlog. It ordered 46 more A320 Family aircraft for its client airlines. **ICBC Leasing** placed its first order directly with the manufacturer for 42 A320 Family aircraft. The company has 68 aircraft in its portfolio. **ICBC Leasing** is a subsidiary of the **Industrial and Commercial Bank of China**. **Airbus** reported that approximately 575 A320 Family aircraft were operated by 13 Chinese airlines.

The Qantas Group announced in August that it would order as many as 110 A320 aircraft. The group will also reserve 194 purchase rights and options for delivery over the next 10 to 15 years. The order will include 78 A320neo jets. **Qantas** said it will order up to 106 A320s and purchase or lease another four airplanes (subject to availability). The new A320s will be used to grow **Jetstar's** domestic and **Jetstar Asia's** international fleets. The newly launched **Jetstar Japan** will also be outfitted with the new planes. **Qantas Group** intends to establish a new premium Asia-focused airline as well. The orders, options, and purchase rights, will give the group flexibility to pursue further growth opportunities on

Airbus Orders, Deliveries and Backlog August 2011

AUG ORD	AUG DEL	AUG CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	80	74	6
			A319		
-0-	4	-0-	1,470	1,309	161
			A320		
195	20	-0-	5,272	2,742	2,530
			A321		
35	6	-0-	1,100	665	435
			A330		
-0-	5	-4	1,155	807	348
			A340		
-0-	-0-	-0-	379	375	4
			A350		
4	-0-	-0-	567	-0-	567
			A380		
-0-	1	-0-	236	54	182
This Month			This Year		BL
234	36	-4	1,015	334	4,233

Airbus sold 11,075 aircraft and delivered 6,842 as of August 31, 2011.
Total orders, deliveries and backlog include cancellations and order changes.

favorable commercial terms, **Airbus** said. **Qantas** has shifted its corporate strategy and will move away from its reliance on the Kangaroo route to Europe and will focus on Asia-Pacific services. The airline announced it will defer the delivery of its last six A380s by up to six years. The airline will take delivery of its 12th A380 by December 2011, and will receive two more A380s by mid-2013. The last six airplanes will be delivered when **Qantas** retires its last six 747-400ER aircraft late in the decade.

American Airlines Orders

American Airlines signed a firm contract for 260 A320 Family aircraft in July. The contract allows the airline to take delivery of A319s, A320s and A321s, but **Airbus** booked the order as A321s. The airline optioned another 365 single-aisle planes. Half of the airplanes will feature **Airbus'** New Engine Option (neo). The airline will choose between the **CFM International** LEAP-X and the **Pratt & Whitney** PW1100G engines at a later date. All 260 planes will be fitted with Sharklet, fuel-saving, wingtip devices. The press said the A320 Family aircraft will replace **American's** fleets of Boeing 757s and MD-80s. The A320 is list priced at \$85 million, so the nominal value of the 260-plane order was put at \$22.1 billion.

EADS NV said its first-half earnings fell from the same period last year. The weaker U.S. dollar overwhelmed **EADS'** increases in commercial and military jet sales. The company reported a net profit of €109 million (\$155 million) in the first half, which compared unfavorably with €185 million profit in 2010. **EADS** saw the value of its commercial backlog fall by €28 billion due to the weakening of the dollar against the euro. **EADS** said it would reach its earnings target this year, because its sales have soared over the year. **Airbus** expects to win more than 1,000 firm orders and deliver from 520 to 530 aircraft in 2011. The company sold or has commitments for more than 1,200 A320neo Family aircraft. **EADS** CEO **Louis Gallois** said there was no concrete proposal to assemble A320 Family aircraft in the U.S. even though every major airline, except **Southwest**, operates or has ordered A320 Family aircraft. If **Airbus** built the A320 in the U.S., it could mitigate some of the dollar/euro value fluctuation and would reduce the onus of "not made in the USA" that some Americans put on **Airbus** airplanes.

American Airlines Orders 200 737s. The airline bought 100 Next-Generation 737-800s and optioned another 40 in July. The planes will be fitted with CFM56-7BE engines and **Boeing's** Sky Interior. **American** committed to order 100 of the newly launched 737s that feature the **CFM International** LEAP-B1 engine. The airline optioned another 60 planes. The order was contingent on **Boeing's** launch of the 737 re-engining program. **Boeing's** Board of Directors authorized the company to offer the 737 MAX in late August. The first 737 MAX aircraft will be delivered in 2017. **American Airlines** currently operates a fleet of more than 600 Boeing airplanes, including 156 Next-Generation 737-800s. The airline has another 51 737-800s scheduled for delivery by 2013. It also has outstanding orders for seven 777-200ERs and six 777-300ERs. The airline has orders for 42 787-9 Dreamliners and reserved the right to purchase up to 58 additional 787s. **Boeing** will spend approximately \$2 billion to develop the new aircraft. The company said it had commitments for nearly 500 of them when it launched the program.

Airbus Wins 56 Percent of American's New Plane Orders, But at What Price? The European manufacturer claimed victory, because it sold 260 A320 Family aircraft to a major **Boeing** customer. **John Leahy**, **Airbus** chief of sales, said, "If we had sold **American** 26 aircraft, it would have been a

victory for **Airbus**, because it broke **Boeing's** 15-year monopoly.” There are few major U.S. airlines that have not purchased **Airbus** planes in the last decade, including **Continental**, **Delta** and **Southwest**. **Airbus** hopes they will be interested in its A320neo program. **Airbus** will pay a huge price for its sales coup. Two **Wells Fargo** analysts **Sam Pearlstein** and **Gary Liebowitz** estimated the A321neo purchase price averaged \$40 million each. In July, **American Airlines** filed a quarterly-earnings report which stated that the total purchase commitments for its firm orders rose to \$10.3 billion. The analysts subtracted the costs of prior purchase commitments, and came up with a price of \$7 billion. The airline told Mr. **Liebowitz** and Mr. **Pearlstein** that the \$7 billion figure covers the purchase of 130 Airbus A321neos and included pre-delivery payments on 130 A320s and 100 737NGs that will be leased from **Airbus** and **Boeing**. Airlines normally give manufacturers a 20 percent down payment. **Airbus** said the A320 was list priced at \$85 million, so the 260-plane order was valued at \$22.1 billion. If the **Wells Fargo** analysts are correct, **American** negotiated a 56 percent discount off the asking price. Aircraft-valuation firm **Avitas** estimated that this was \$3 million to \$5 million less per aircraft than the price that most airlines can squeeze out of **Airbus**. **Avitas** put the value of the 260-plane order at \$11.5 billion (\$44.23 million each). **AVMARK** assumes that the other major airlines will want the same discounts if they place big orders. **American** will pay around \$10 billion for its 100 Next Generation 737 and 100 737 MAX aircraft (an average of \$50 million each). An industry source said that **Boeing** signed agreements with **American**, **Continental** and **Delta** giving them “most favored customer” and the guarantee to offer them the lowest prices on any jet sales. If **Boeing** offers exceptionally low discounts to **American**, the manufacturer will have to give the same prices to **Delta** and **Continental's** merger partner, **United Airlines**. Both airplane builders offered to lease the majority of their standard aircraft to the airline, minimizing the airline's upfront costs. **Airbus** and **Boeing** agreed to commit up to \$13 billion to finance the first 230 airplanes. **American** said the lease offer was a requirement for the orders. The order split was a win-win for the airline, because it was able to press the lowest prices from both manufacturers and win early delivery positions. This allows **American** to re-fleet in the shortest amount of time. It had hoped to option more 737s, but **Boeing** did not want to shut out other valuable customers so early in the 737 MAX program.

Boeing received **Federal Aviation Administration (FAA)** and **European Aviation Safety Agency (EASA)** certification for the 747-8F freighter. On August 19, the **FAA** granted the 747-8F an Amended Type Certificate (ATC) and an Amended Production Certificate, and the **EASA** granted the freighter an ATC, **Boeing** said. The **FAA** and **EASA** Amended Type Certificates state that the 747-8 design is compliant with all aviation regulatory requirements and will produce a safe and reliable airplane. **Boeing** flew test airplanes for more than 3,400 hours and tested the planes and components for thousands of hours on the ground. The Amended Production Certificate said that the **FAA** validated the 747 production system and **Boeing** can produce airplanes that will conform to the airplane's design. Certification was the last step in preparing the first 747-8 Freighter for delivery to **Cargolux**.

Boeing Orders

Boeing Sold 115 New Jets in July. Sales were led by **American Airlines'** order for 100 737s. **GECAS** bought two 747-8Fs and eight 777-300ERs. **Korean Air** purchased two 737-900ERs. An unidentified airline customer ordered one 777-300ER. **Boeing** sold one 737-800BBJ and one VIP 747-8I to VIP customers. **Boeing** delivered 29 737s, two 767s and seven 777s in July.

August Sales Were Led by Delta Air Lines' Order for 100 737-900ERs. The manufacturer sold 27 777s during the month. **Air Lease Corp. (ALC)** bought five 777-300ERs; **Cathay Pacific Airways** ordered four more 777-300ERs and eight 777Fs; and **Thai Airways International** purchased another six 777-300ERs. Two **Unidentified Customers** each ordered two 777-300ERs. An unidentified customer cancelled six 787 orders during August. **Boeing** delivered 39 737s, two 767s and seven 777s, in August.

Boeing Was to Deliver the First Two 747-8 Freighters to the launch customer **Cargolux** in mid-September, but some last-minute contractual snags delayed the delivery ceremony. **Cargolux'** Board of Directors decided to reject the first two 747-8F freighters, due to unresolved contractual issues concerning performance guarantees and the aircraft's weight. **Cargolux** said that it will have to find alternative capacity to meet customer demand if the issues cannot be resolved quickly. The airline has 13 747-8Fs on order. They were list priced at approximately \$320 million each.

Aircraft analyst **Scott Hamilton** told the press that the 747-8F delivery delay was part of a dispute between **Qatar Airways** and **Boeing**. **Qatar Airways** recently bought a third of the Luxembourg-based freight carrier. **Qatar's** CEO **Akbar Al-Baker** took his seat on **Cargolux'** Board of Directors the day before it voted to reject the 747-8F delivery. **Qatar Airways** was negotiating with **Boeing** over the contractual penalties **Boeing** must pay to compensate for the late deliveries of the 787 Dreamliner. Mr. **Al-Baker** regarded the penalty for delayed 747-8F deliveries as a benchmark for future penalties for the 787 Dreamliner, Mr. **Hamilton** said.

First 787 is to be Delivered to All Nippon Airways (ANA) on September 26, in Everett, Washington. **Boeing** and **ANA** will sponsor events to commemorate the delivery of the first 21st century airliner. **ANA** will fly the airplane to Tokyo on September 27-28, where it will be greeted by **ANA** employees, Japanese production partners and the media. **ANA** launched the 787 program in April 2004, with an order for 50 airplanes. The 787 Dreamliner received certification from the **FAA** and the **EASA** on August 26. In a ceremony at the company's Everett, facility, **FAA** Administrator **Randy Babbitt** presented the U.S. Type Certificate, which verifies that the 787 has been tested and found to be in

Boeing July 2011 Orders, Deliveries

JUL ORD	JUL DEL	JUL CANX	TOTAL ORD	TOTAL DEL	BACK LOG
737					
103	29	-35	8,994	6,848	2,146
747					
3	-0-	-0-	1,532	1,418	114
767					
-0-	2	-0-	1,057	1,005	52
777					
9	7	-0-	1,242	949	293
787					
-0-	-0-	-0-	827	-0-	827
This Month			This Year		BL
115	38	-35	345	260	3,432

**Boeing sold 21,182 aircraft and delivered 17,750s
as of July 31, 2011.**

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

Sales totals are net, minus cancellations.

compliance with all federal regulations, **Boeing** said. **Patrick Goudou**, executive director of **EASA**, presented the European Type Certificate for the 787. **Boeing** plans to deliver 25 to 30 747-8 and 787 aircraft this year; more than half of them will be 747s.

GE Capital Aviation Services (GECAS) announced at the **Paris Air Show** that it would purchase two 747-8F freighters and eight 777-300ERs. This was **GECAS'** first order for the 747-8 Freighter. The lessor also ordered 61 777s. At list prices, the order was valued at \$2.9 billion. Both the 747-8 and 777-300ER are powered by **General Electric** GE90 engines.

Korean Air ordered two more Next-Generation 737-900ER (extended range) jetliners valued at \$171.6 million at list prices. The 737s will be fitted with the new Boeing Sky Interior. The airline currently operates two 737-900ERs as well as a single-aisle fleet of 737-800s and -900s. **Korean Air** operates 82 Boeing jets.

Air Lease Corporation (ALC) finalized an order for 14 737-800s and optioned an additional four. The company announced its first order for five 777-300ER (extended range) airplanes. Both purchases were previously posted on the **Boeing Orders & Deliveries** website and attributed to an unidentified customer. The orders were provisionally placed at the 2011 **Paris Air Show** in June. The deal was valued at \$2.5 billion at list prices. The order adds 14 planes to **ALC's** current backlog of 60 737-800s. The lessor ordered 20 737-800s this year and bought the first 54 737-800s in September 2010. **Boeing** and **ALC** are finishing a contract for four 787-9 Dreamliners. The Memorandum of Understanding (MOU) was announced at the **Paris Air Show**.

Thai Airways International (THAI) finalized its order for six 777-300ERs. The order completes an agreement announced during the **Paris Air Show** in June; the planes are worth \$1.7 billion at list price. **THAI** currently operates the 777-200, 777-200ER, 777-300 and 777-300ER. **THAI Cargo** is the first airline in Southeast Asia to fly the 777 Freighter. **THAI** announced at Paris that it would lease eight 787 Dreamliners.

Boeing August 2011 Orders, Deliveries

AUG ORD	AUG DEL	AUG CANX	TOTAL ORD	TOTAL DEL	BACK LOG
737					
100	39	-0-	9,094	6,887	2,207
747					
-0-	-0-	-0-	1,532	1,418	114
767					
-0-	2	-0-	1,057	1,007	50
777					
27	7	-0-	1,269	956	313
787					
-0-	-0-	-6	821	-0-	821
This Month			This Year		BL
127	48	-6	472	308	3,505

**Boeing sold 21,303 aircraft and delivered 17,798
as of August 31, 2011.**

**The Current Program includes sales and deliveries
of 737s, 747s, 767s, 777s and 787s.
Sales totals are net, minus cancellations.**

Delta Air Lines ordered 100 extended range 737-900ER airplanes, valued at more than \$8.5 billion at list price. The purchase is part of **Delta's** fleet renewal program. The Next-Generation 737-900ER can carry up to 180 passengers in a typical two-class layout for up to 3,200 nautical miles. **Delta** will take delivery of 12 aircraft in the second half of 2013, and 19 planes per year from 2014 through 2017, and the remaining 12 aircraft in 2018. All the airplanes will be paid for with long-term financing. **Delta** will spend between \$1.2 billion and \$1.4 billion over the next three years for new aircraft. Aircraft-valuation firm **Avitas** estimated the actual purchase price would be about \$4.94 billion, if standard discounts are applied. The 737-900ERs will be powered by CFM56-7BE engines. **CFM International** list priced the engine order at approximately \$2.2 billion. The airline will use the 737NGs to replace similarly sized A320s, 757s and 767-200s on a tail-for-tail basis. **Boeing** said the 737NGs' maintenance efficiencies and the expected 15 to 20 percent improvement in fuel consumption will significantly lower **Delta's** unit costs. In January, the airline said it could order as many as 200 new airplanes and options up to 200 more. The new planes will replace elderly DC-9-50s and early-model Airbus A320s as well as the 166-strong 757-200 fleet. The oldest A320 was delivered in 1990, and **Delta's** first 757s arrived in 1984.

Boeing forecasted that air carriers in Russia and the Commonwealth of Independent States (CIS) will take delivery of 1,080 new airplanes, worth of \$110 billion over the next 20 years. The airlines will replace their older, less fuel-efficient, single-aisle airplanes and regional jets with new-generation, fuel-efficient planes. The new airplanes will also be used to expand airline service within Russia and CIS. Traffic in the region is growing at an average of 4.3 percent. According to **Boeing**, single-aisle airplanes will account for more than 60 percent of the new deliveries. Small- and mid-sized, twin-aisle airplanes will represent 18 percent of the CIS fleet by 2030. The market needs 200 new twin-aisle airplanes such as the 787 and A350. Forty very large airplanes will be delivered over the next 20 years accounting for only 4 percent of the market. Russia and the CIS will need 160 regional jets in the next two decades. The CIS fleet will grow from 1,140 airplanes today to about 1,400 airplanes by 2030 as the older jets are retired.

Cathay Pacific Airways announced its order for eight 777 Freighters and four 777-300ERs, valued at \$3.3 billion at list prices. **Cathay Pacific** is the 15th customer for the 777 Freighter and has ordered 50 777-300ERs. The airline has 36 777s in backlog, and operates 35 777s, and 41 747-400s, including 12 747-400BCF freighters.

Singapore Airlines (SIA) said it will order eight more 777-300ERs for delivery in the 2013/14 fiscal year. The \$2.3 billion order will be used to grow **SIA's** fleet. The airline operates 19 777-300ERs and a total of 106 **Airbus** and **Boeing** widebodies. When the additional 777-300ERs are ordered, the airline will have 70 aircraft on backlog, including firm orders and lease contracts for 787s, A330s and A350s.

Boeing's Chairman and Chief Executive Jim McNerney told the press that the 737 MAX will not necessarily be built at Renton, or in Washington State. If the MAX is built there, the company will have to make "major investments in Renton beyond the currently planned production rates. We haven't made the final decision about where we're going to produce the re-engined airplane. We have other options and we're going to study them all as we think this through," he said. **Boeing** will have its hands full designing and building the re-engined version of the 737. Development will cost about \$2 billion. Mr. **McNerney** said the company could assemble the 737 MAX at its new 787 plant in Charleston, South Carolina. Apparently, the Renton and Charleston plants will have the chance to bid on the production

work. He said the location “would depend [on] how competitive they are as compared to Renton or compared to another site.” Mr. **McNerney** admitted that Renton was “one of the great aerospace factories in the world” and offered a “strong case” for **Boeing** building the newest 737s there. The very efficient Renton factory currently assembles more than 31 737s per month on its moving assembly line. **Boeing** will raise its monthly rate to 42 by the first half of 2014, and it is considering building 60 737s each month by the end of the decade. The two existing assembly lines can handle 42 planes per month. The Renton plant is supplied with sub-assemblies from Austria, China, France and Japan, and the fuselages are delivered by train from **Spirit Aerospace** in Wichita, Kansas. The wings are built at Renton. To move the assembly line to somewhere else would require shipping the parts to a new factory, which would initially be an expensive logistical effort. **Boeing** operates a third production line at Renton that is used to assemble the military versions of the 737, including the new P-8A and P-8I anti-submarine and maritime patrol planes, at a rate of several per month. The company has the option of moving P-8 production to **Boeing Field**, where military systems are installed on the planes. This will make room for a third passenger 737 line. Or the company could build the 737 wings off site. The machinist union said it does not make any sense for **Boeing** to go anywhere but Renton to build the 737. The unions fear that **Boeing** will move production to a non-union plant, as the company did when it added the 787 facility at Charleston. **Boeing** issued a statement that said, “While Renton, Washington, logically would be our first location considered, no decision has been made, nor would one be made at this point in the program. The decision on where to build the [737 MAX] airplane will be made in due course as we move through the process of launching the airplane and evaluating production requirements.”

Potential Customers for the 737 MAX. **Alaska Airlines** said it is interested in the re-engined 737 MAX. **Alaska Air Group** CEO **Bill Ayer** said, “We are very much in favor of lower fuel burn, and if **Boeing** can do this sooner rather than later, that’s a good a thing. We will be very interested to learn more about this airplane and we look forward to taking delivery of some, if everything looks right in terms of the cost and the fuel burn and so forth.” The airline has a dozen 737-800s on order for delivery between 2012 and 2015, and 13 737-900ERs in backlog for 2013 and 2014 deliveries. The airline has options for another 42 737s. **Alaska** operates 30 737-400s, 17 737-700s, 58 737-800s, and 12 737 -900s.

Southwest Airlines CEO **Gary Kelly** said, “If **Boeing** can meet our needs, then we can make a commitment and be eligible to launch this re-engined product with **Boeing**,” possibly along with other carriers. **Southwest** was the launch customer for the Boeing 737-300 and -500 Classics and the Next-Generation 737-700. The -700 is now the backbone of the airline’s fleet. Mr. Kelly said, “I’ve been a proponent of the re-engining solution for years now.” He was skeptical about **Boeing’s** claims that it could build an all-new aircraft by 2018. **Southwest** was informed about **Boeing’s** decision to launch the 737 MAX before it was made public, “which we appreciate,” Mr. **Kelly** said. The airline still has 140 737NGs on firm order for delivery through 2017.

MAKS 2011 – International Aviation and Space Salon

United Aircraft MS-21 Orders. **Ilyushin Finance Company** signed a firm order for 28 **United Aircraft** MS-21-300 narrowbodies aircraft. The Russian lessor optioned another 22 of the type, the

state-owned airframer reported at the **MAKS 2011** air show in Moscow. The order was list priced at \$4 billion. Deliveries are scheduled from 2019 to 2022. **Aviacapital-Service** ordered 35 MS-21-300 and 15 MS-21-200 models. Last year, **Aeroflot** announced its intention to order the MS-21 and it is expected to be the launch customer. **United Aircraft** is offering the 150-180-seat aircraft as competition to the A320 and 737 families. The MS-21 will be powered by the **Pratt & Whitney** PW1000G geared turbofan engine.

Sukhoi Civil Aircraft SSJ Orders. **Gazprom Komplekt** ordered 10 Sukhoi Superjet 100/95LR aircraft at the **MAKS International Aviation and Space Salon** at the **Zhukovsky Airport**. The planes will be delivered to **Gazprom Avia** beginning in 2013. The company optioned another 10 SSJs and the firm order was valued at \$323 million at list prices. **Gazprom Avia** signed an agreement with **PowerJet** to support the 20 SaM146 engines installed on the Sukhoi Superjet 100.

Antonov Design Bureau to Build the An-148 and An-158 at the KiGAZ Aviant Factory.

The Ukrainian design bureau invested more than \$200 million in the facility since taking it over three years ago. **Aviant** is preparing to build 12 An-148 and An-158 jets, and production will start in 2012. The Kiev factory will specialize in the An-148 and An-70 programs after production of the An-32 transports is wound down. The factory has outstanding An-32 orders from the Afghan and Indian governments. **Aviant** refurbished five An-32s for the **Indian Air Force** and is finishing six An-32s for the **Afghan Government**. **Antonov** paid for **Aviant's** upgrade through profits from commercial An-124 freighter operations and from design services rendered to Chinese, Indian and Russian partners.

UTair Aviation to Lease SSJ100s. **UTair Aviation** and **JSC VEB-Leasing**, a subsidiary of **State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank)**, signed a financial leasing agreement at the **MAKS 2011** show. **JSC VEB-Leasing** will purchase 24 SSJ100 aircraft from **JSC Sukhoi Civil Aircraft**. They will be delivered to **UTair** through long-term financial leases. The order is worth \$760.8 million at list price. **UTair** is one of three leading carriers of Russia, CIS and Baltic states and has been in operation for 40 years. It operates more than 200 aircraft, including Boeing 737s and 757s, Tupolev Tu-134s and Tu-154s, ATR 42s and 72s, Bombardier CRJ 200s, Antonov An-24s, and Yakovlev Yak-40s.

Indonesian Regional Carrier PT Sky Aviation purchased 12 Sukhoi Superjet 100/95B aircraft at the **MAKS** air show. At this year's **Paris Airshow**, the airline and manufacturer signed a Heads of Agreement (HOA). The order was valued at \$379.2 million at list prices. Deliveries were scheduled to begin in 2012.

Sukhoi Civil Aircraft sold 20 Sukhoi Superjet 100s to Indian aerospace company **Aviotech**. The company signed a Letter of Intent to buy 10 Sukhoi Business Jets (SBJ), the VIP version of its passenger Superjet 100 aircraft. The agreement included options for another 10 planes. The Sukhoi Business Jet can fly up to 8,000 kilometers when it is equipped with auxiliary fuel tanks in the cargo compartment. It can carry passengers on long routes such as Paris to New York. **Sukhoi** will deliver green airframes to **Aviotech's** new facility in Hyderabad, where they will be completed with VIP interiors. **Sukhoi** forecasted a market for 80 SBJs over the next 20 years. The baseline VIP aircraft is expected to cost approximately \$50 million.

Sukhoi won conditional orders from Tajikistan's national carrier, **Tajik Air**, for four Sukhoi Superjet 100s. The carrier signed a Letter of Intent (LOI) at the **MAKS** air show and said it would take delivery of the twinjets under financial lease. The first two aircraft will arrive by the end of 2013. **Tajik Air** said the Superjet would replace its outdated Tupolev Tu-134s and Tu-154s.

Regional Report

Korean Air converted its Letter of Intent (LOI) for 10 **Bombardier** CS300 airliners into a firm order in July. The airline signed the LOI at the 2011 **Paris Air Show**. **Korean's** firm contract included options on 10 CS300 aircraft and purchase rights for an additional 10 CS300s. The South Korean flagship airline is the CSeries launch customer in Asia. **Korean Air's** CS300s will be powered by **Pratt & Whitney** PW1521G geared turbofan engines and the first ones will be delivered in 2013. With the **Korean Air** sale, firm orders for the CSeries rose to 133 aircraft. Customers have also taken 119 options and 10 purchase rights on CSeries jetliners.

Western Aircraft Ordered at MAKS 2011. The Moscow-Based **Transaero** signed a Memorandum of Understanding (MOU) for eight **Airbus** A320neo aircraft at the **MAKS** air show at Moscow, ending its traditional preference for **Boeing** aircraft. The airline operates an all-Boeing fleet with the exception of several **Tupolev** Tu-214s. The airline ordered 10 Tu-214s, but cancelled the remainder after the delivery of the first ones. If the A320neo order is confirmed, it would make **Transaero** the launch customer in Russia. The airline did not make an engine choice yet.

Ilyushin Finance Company intends to firm up a Letter of Intent (LOI) for as many as 30 **Bombardier** CSeries aircraft. The lessor is expanding its portfolio to offer a diverse family of aircraft to customers. **IFC** may sign a firm contract by the end of the year. The Canadian manufacturer said **IFC** placed a tentative order for three CS100s and seven CS300s, with delivery starting in mid-2015 and 2016, respectively. The lessor has options and purchase rights for another 20 CSeries.

Bahrain's Government announced an agreement to buy **Bombardier** CSeries aircraft for its flag-carrier **Gulf Air**. The government was rather vague about the deal, only saying that **Bombardier** was the successful bidder under a tender worth \$328 million. The press said **Gulf Air** has long been ready to order the CSeries twinjet, even though it has leased two Embraer 170s and two Embraer 190s since 2010. The E-Jets are leased for eight year terms.

Bombardier Aerospace announced that an unnamed European airline signed a firm order for four Q400 NextGen turboprop airliners. The airline optioned another four Q400 NextGen aircraft. The firm order is valued at approximately \$126 million at list price. This latest sale raises Q400/Q400 NextGen firm orders to 412 aircraft, of which more than 360 have been delivered.

Embraer Delivered 25 Commercial Jets in the second quarter along with three large executive jets and 20 light private jets. The company's revenues reached \$1.359 billion and net profit totaled \$96.4 million. The profit was 60 percent higher than the \$57.4 million net income reported in the second quarter of 2010. The company sold 62 new E-Jets in the first half and it expects to sign agreements for another 42 E-Jets in the third quarter. **Embraer** sold 1,003 E-Jets as of July 1, 2011, only seven years after launch of the program.

Order Changes and Cancellations

Airbus Order Shuffle. Garuda Indonesia switched three A330-200 orders to the -300 model when it ordered four A330-300s in June. Avianca switched one A319 order to the A320 in August. The airline now has 14 A319s and 33 A320s on order. TACA International dropped two A320 orders in favor of one A319 and one A321. TACA has 19 A319s, 53 A320s and six A321s on order. Indigo exchanged two of its 280 A320 orders for its first two A321 orders. Bangkok Airways cancelled its four A350-800 orders in August.

Dubai Aerospace Enterprise cancelled its last 35 Boeing 737 orders in July. The lessor dropped orders for 32 737s in February. DAE cancelled its 34 Airbus A320 and 11 A350 orders in June. The lessor's fortunes have been declining for a year. DAE cancelled 18 A320s, seven A350s, 10 777s and 15 787s in August 2010. The company placed a monster \$27.2 billion order for 100 Airbus and 100 Boeing aircraft at the Dubai Air Show in November 2007, but DAE took delivery of only three of the 200 airplanes – three 737-800s in 2010. The leasing company retains orders for six 777 freighters and 15 747-8Fs. It acquired the airplane orders from Emirates in July 2008.

TAP Air Portugal may switch its dozen A350-800 orders to the larger -900 variant. Several customers, including ALAFCO, Asiana, International Lease Finance Corp., Synergy Aerospace and TAM opted to convert all or part of their -800 orders to the -900. Airbus sold 182 A350-800s by mid-2008, but the backlog has shrunk to 131 as of August 30, 2011. Part of the problem with the -800 is that Airbus delayed the type's first deliveries until mid-2016. TAP and others now see that the A350-900 will better match its capacity needs, while the -800 will be too small and will have higher operating costs per seat.

Gulf Air cancelled eight of its 24 Boeing 787 Dreamliner orders in June. The airline ordered 16 787s in January 2008, and placed a second order for eight more in April 2009. The Boeing Orders and Deliveries website now shows Gulf Air's backlog stands at 16 787s. So far this year, customers have cancelled 20 Dreamliners, 74 737NGs and two 777s.

All Nippon Airways deferred deliveries of four 787 Dreamliners because of an expected 14 percent drop in this year's profits due to the tsunami in Japan. The airline planned to take delivery of 24 Dreamliners by March 31, 2013, but will now receive only 20 an airline spokesperson said. ANA dropped two deliveries in each fiscal year. It will accept 12 787s by March 31, 2012, and eight 787s in the next fiscal year.

Engine News

Boeing to Choose LEAP-1B Fan Size. The manufacturer has to choose between a 168cm (66 inch) or 173cm (68 inch) fan size for the CFM International LEAP-1B engine, which will power its 737 Max family of aircraft. Boeing Commercial Airplanes Chief Executive Officer, Jim Albaugh sees some advantages to 66-inch and the 68-inch fan, so the company will see which one fits best. "In either case we remain very confident that it's not going to require a lot of modifications to the [landing] gear," he said. "We'll make a decision in the next several weeks." The small fan allows Boeing to maintain clearance of 17 inches between the ground and the aircraft's nacelles. He said the 68-inch fan may not require Boeing to stretch the front gear. Other considerations are weight, drag and efficiency. The bigger fan will offer more efficiency due to the bypass ratio, but that comes with more weight and more drag. The larger and heavier engine will require some changes to the wing, the side-of-body-joint, and some

localized stiffening of the airplane,” Mr. **Albaugh** explained. The newly launched 737 MAX will enter service in 2017, so the company has plenty of time to make the best choices. The LEAP-1B will be 10 to 12 percent more efficient than the 156cm (61 inch) CFM56-7B that powers the current 737 NG family.

Leasing Companies

Kenya Airways will lease two Boeing 777-300ERs from **GECAS**. The airline signed a Letter of Intent (LOI) for the 777s, which will be delivered at the end of 2012, or in early 2013. **Kenya Airways** operates four 777-200s. The new planes will serve long-haul routes to India and Asia. The flag carrier also has nine Boeing 787s on order with the first to be delivered in the fourth quarter. **Kenya** ordered 10 Embraer 190 regional jets in June and optioned 10 more. Its cargo unit is adding one 747 freighter and two 737-400 freighters in October.

Air Lease Corporation (ALC) acquired 11 Next-Generation 737 aircraft from airlines and leased them back. It leased two 737-800s (SN 34003 & 34004) to **Continental Airlines** and two -800s (SN 36845 & 35228) to **Skymark Airlines** in Japan. **ALC** bought two 737-700s (SN 34401 & 34402) from **Ethiopian Airlines** and leased them back. In China, **ALC** leased one 737-800 (SN 34253) to **Xiamen Airlines** and leased one 737-800 (SN 34254) to **Shanghai Airlines**. **ALC** also leased one 737-800 each (SN 29669 & 36529, respectively) to **Travel Service**, Czech Republic, and **Sun Express**, Turkey. **Sunwing**, Canada, leased -800 (SN 30292). Finally, **ALC** will accept the return of 737-800 (SN 32920) from **Air Berlin** in March 2012, and will long-term lease it to **XL Airways Germany**.

FLY Leasing Limited announced that it will purchase a \$1.4 billion portfolio of 49 aircraft. The planes are currently managed by **Global Aviation Asset Management**, Australia. The aircraft are leased to 23 airlines in 15 countries. The purchase increases **FLY's** total fleet to 109 aircraft on lease to 53 airlines in 29 countries. The portfolio will be worth more than \$3 billion. **FLY** will fund the purchase with its unrestricted cash and by the assumption of existing non-recourse debt. The latest batch of airplanes are leased to strong, well-run airlines and they will increase **FLY's** annual revenues by over 80 percent to approximately \$370 million. The lessor is buying 23 A320s, three A340s, six 717s, and 17 737s. The new airplanes have an average age of 7.6 years and the average age of the combined portfolio is 8 years. The average remaining lease term is 4 years. The transaction will close in the fourth quarter. The lessor announced it had earned a net income of \$4.1 million in the second quarter of 2011, and had \$187.5 million in unrestricted cash as of June 30.

Thomas Cook Airlines will lease six new A321-200s from **Air Lease Corporation (ALC)**. These aircraft will come from **ALC's** backlog with **Airbus**. Two A321s will be delivered in 2013, and the final four will arrive in the spring of 2014. The A321-200s are equipped with CFM56-B3/3 engines.

International Lease Finance Corporation (ILFC) will lease six new 787-8 and two new 787-9 Dreamliners to **Thai Airways International (THAI)**. The airline also optioned the lease of two more 787-9s. All the airplanes will be leased for 12-year terms. The eight 787-8s and -9s will be delivered to **THAI** between 2014 and 2017.

International Lease Finance Corporation (ILFC) agreed to buy **AeroTurbine** from its parent **AerCap Holdings**. **ILFC** said that the acquisition of **AeroTurbine** will provide synergies and allow the

lessor to realize more value from its fleet portfolio. **ILFC** and **AerCap** will close the deal in the coming months.

Airline News

Malaysia Airlines (MAS) and Kuala Lumpur-based **AirAsia** will exchange shares and form a partnership that will split the travel market between the partners. **MAS** will concentrate on offering premium travel while **AirAsia** will continue to offer low-cost services. This allows each airline to focus on their respective markets. The stock deal is valued at about \$364 million and calls for the owners of each airline to trade shares. **AirAsia** founders **Tony Fernandes** and **Kamarudin Meranun** control **Tune Air** and are using it to take control of 20.5 percent of **MAS**. **Malaysia's** owner, the state-owned investment firm **Khazanah Nasional**, will acquire 10 percent of **AirAsia**. This illustrates the relative market values of the respective airlines. **MAS** was rescued with an infusion of \$472 million of state money in 2001. In the last 10 years, **AirAsia** has been growing almost exponentially. The low-cost carrier recently ordered 200 A320neo aircraft and said it will exercise its 100 options as well. Mr. **Fernandes** said the agreement "allows us to refocus on growing the airline 100 percent and each of us will have routes to grow. I think we can make a lot of money." The **Khazanah** CEO said, "There is no bailout, no conditional government money or **AirAsia** money coming in." The deal is expected to help **MAS** in the near term by allowing it to become a premier long-haul carrier.

Thai Airways International is founding a new regional carrier named **Thai Wings**. It will start operations in the second quarter of 2012 with four leased A320s. Another two leased A320s will be delivered in 2013. Eventually, 11 A320s will be operated on domestic and short-haul international services. **Thai Airways International** ordered five A320s in June. They

International Air Transport Association (IATA) Reports June Traffic Growth.

June 2011 vs. June 2010	RPK Growth	ASK Growth	Pax Load Factor	FTK Growth	AFTK Growth
Africa	-2.9%	3.0%	64.7	1.1%	3.2%
Asia/Pacific	3.3%	5.4%	76.9	-6.1%	-1.3%
Europe	8.9%	9.4%	80.6	-1.2%	5.1%
Latin America	14.3%	9.1%	77.3	2.5%	-3.5%
Middle East	6.4%	8.4%	74.8	3.7%	10.6%
North America	2.4%	4.0%	85.3	-2.9%	4.6%
Industry	5.9%	7.2%	79.0	-3.0%	3.0%

Year to Date 2011 vs. 2010	RPK Growth	ASK Growth	Load Factor	FTK Growth	AFTK Growth
Africa	-1.2%	4.2%	64.1	-2.8%	2.5%
Asia/Pacific	3.7%	6.3%	75.4	-3.5%	2.7%
Europe	11.4%	12.3%	76.7	5.0%	9.5%
Latin America	17.6%	13.9%	77.1	6.9%	4.0%
Middle East	8.7%	10.1%	78.8	5.4%	11.2%
North America	6.3%	9.3%	78.8	5.4%	11.2%
Industry	8.0%	9.7%	75.9	1.7%	7.6%

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

will be delivered between 2014 and 2015. **Thai Wings'** A320s will offer both business and economy class seating.

Singapore Airlines will launch a long-haul, low-cost carrier in 2012. The airline will operate some of **SIA's** 35 Boeing 777-200ERs. The 777s will be reconfigured with a new (presumably all economy) seating layout and the engines will be de-rated, **Singapore Airlines** said. **SIA** appointed **Campbell Wilson** to the post of CEO of the as yet-unnamed company. He said "the new airline will operate under a no-frills, low-fare model serving medium and long-haul routes. It will be operated independently and be managed separately from **Singapore Airlines**."

All Nippon Airways (ANA) and **AirAsia**, Malaysia, agreed to form a low-cost carrier based at Tokyo's **Narita Airport**. The joint venture will be named **AirAsia Japan** and will be 51 percent owned by **ANA**. **AirAsia** will own 33 percent and its wholly owned subsidiary, **AA International**, will own 16 percent of the airline, but they will have non-voting shares. A press release stated, "Air travel is deeply entrenched in the social and business life of the Japanese, even under a high-cost environment. Both **ANA** and **AirAsia** firmly believe that **AirAsia Japan** will be a success as the Japanese market possesses the necessary ingredients for growth, such as the population's strong propensity to travel, its high per capita income coupled with deep and significant internet penetration." **AirAsia Japan** will serve the domestic Japanese market and China, South Korea, and Taiwan, starting in August 2012. **AirAsia** and **ANA** agreed not to compete against **AirAsia Japan**. **ANA** will also launch the low-cost subsidiary **Peach Aviation** next year. The airline will be based in Osaka's **Kansai International Airport** and it will not be permitted to move to Narita. **Peach Aviation** plans to start domestic operations by March 2012, and will add services to **Seoul** in May. Other low-cost carriers have entered the Japanese market. Since last year, China's **Spring Airlines** has flown between Shanghai and **Ibaraki Airport**, north of Tokyo, and **AirAsia X** started flights to **Haneda Airport** in December.

Jetstar Japan will be launched by the **Qantas Group**, **Japan Airlines** and **Mitsubishi Corporation**, by the end of 2012. The two airlines will each own 42 percent and **Mitsubishi** will own 16 percent. **Jetstar Japan** will commence low-cost domestic operations from Tokyo's **Narita Airport** and Osaka's **Kansai International Airport** to Sapporo, Fukuoka, and Okinawa. **Jetstar Japan** intends to offer short-haul international services to key mainland cities. The airline will acquire three new 180-seat A320s and plans to grow the fleet to 24 aircraft within a few years. The partners will capitalize the new airline with ¥12 billion (\$156 million). **Jetstar Japan** was officially founded on August 16. It expects revenues to reach ¥100 billion per annum within a few years. It intends to generate new traffic through increased demand caused by fares that will be 40 percent below current rates. **Jetstar Japan** will compete directly with **Skymark Airlines**, **All Nippon Airways'** new joint venture with **AirAsia**, and **ANA's** new subsidiary, **Peach Aviation**.

AMR Corporation Will Spin-Off its **American Eagle** regional subsidiary later this year. **Roger Frizzell**, **American Airline's** vice president of corporate communications, said, "Both companies believe this is strategic to their long-term success, so we are expecting it to move forward as planned." **American** will be free to seek other airlines to bid for its regional flying. **American Eagle** will be able to offer its services to other mainline airlines. **American** will retain about \$2.5 billion in debt along with **American Eagle's** aircraft in order to maintain the regional carrier's viability. **American** will lease the planes to **Eagle** at minimal rates. **AMR** filed a Form 10 Registration Statement with the U.S. Securities and Exchange Commission in early August. The Form 10 filing outlined **Eagle's** business plan and

provided historical and pro forma consolidated financial statements. **AMR Corporation** intends to distribute all of its **Eagle** shares to its stockholders on a pro rata basis. The newly independent **Eagle** will become the country's third largest regional airline. It generated \$1.2 billion in revenue on a pro forma basis in 2010. It earned more than \$250 million from ground-handling services. **American Eagle** will operate 281 regional aircraft on behalf of **American**. American can re-bid contracts for up to 12 turboprops per year starting in 2012, and up to 40 regional jets per year beginning in 2014. The new contract will allow **American** to re-set reimbursement rates for regional feed in 2015, to adjust to market changes levels. **American Eagle** will provide ground-handling services to **American** at 106 airports for the next eight years. **American** will be able to re-bid ground-handling service agreements at a number of airports each year.

International Air Transport Association (IATA) Posts August Jet Fuel Prices. The organization updates its global average jet fuel price each week. On August 5, the average price of fuel was \$2.97 per gallon, down 36 cents from mid-April's \$3.33 per gallon. **IATA** said fuel prices dropped 2.2 percent from the previous month, but were up by 33.6 percent from one year ago. The organization now estimates that the price increases will add \$61 billion to the global airline industry's total fuel costs and that fuel will cost the industry \$128.1 billion in 2011. This is up \$1 billion from the July 1 estimate. **IATA** said that every \$1 increase in the price of a barrel of oil adds \$1.6 billion in costs to airlines.

Cargo Pallet

Precision Conversions is converting a second 757-200PCF for **Aviation Capital Group (ACG)**. **Flightstar Aircraft Services** started work on 1991-model 757-200 (SN 25258) this summer. The Rolls-Royce-powered aircraft will be re-delivered in early October. The plane will be capable of carrying up to 80,000 lbs (36,287kg) of payload.

Military Market

United Arab Emirates (UAE) Air Force and Air Defence took delivery of its third C-17 Globemaster III airlifter in late July. The **UAE Air Force** accepted its first C-17 in May. It will receive its fourth later this year and two more in 2012. There are currently 234 C-17s in service worldwide, including 23 operated by international customers. The **Indian Air Force** became the newest C-17 customer in June, when it ordered 10 C-17s for delivery in 2013 and 2014.

Republic of Korea Air Force received its first of four Boeing 737-700 Peace Eye airborne early warning & control (AEW&C) system aircraft. The remaining three aircraft will be modified by **Korea Aerospace Industries** at its Sacheon facility before they are delivered to the **ROK Air Force** in 2012. The **Boeing** press release said, "The 737 AEW&C gives Korea a powerful capability for airborne surveillance, communications and battle management. It also provides increased security for the Korean peninsula against today's threats and threats in the future." The 737 AEW&C features **Northrop Grumman's** multi-role electronically scanned array (MESA) radar, which includes two side-looking arrays as well as a top-hat array. A single Peace Eye aircraft will be able to monitor the entire Korean peninsula. It can track up to 1,000 airborne or surface targets, simultaneously, while also directing combat operations. It carries a flight crew of two and a mission crew of six to 10, **Boeing** said. South

Korea ordered the four 737-based AEW&C aircraft, worth \$1.6 billion in 2006. Australia was the first customer for the plane, it ordered six of the type, and the first will be operational in December. Turkey has also purchased four of the aircraft.

First Flight of the P-8A Poseidon. Boeing completed and flew the first P-8A production aircraft in July, seven months after the planes were ordered. The **U.S. Navy** ordered six 737-800ERX-based P-8As as the first batch of low-rate initial production (LRIP-1) aircraft. The **Navy** will take delivery of 117 P-8A over the next eight years. The 737-800ERX flew to **Boeing Field** where the manufacturer will install its mission system suite. The CFM56-7BE-powered P-8A will be used as the U.S. Navy's 21st Century anti-submarine warfare aircraft, replacing the venerable **Lockheed P-3C Orion** turboprop. **Boeing** completed six flight-test and two ground-test airframes during the seven-year-long systems development and demonstration phase. The first production aircraft will be delivered to the **Navy** in 2012, and the planes will become operational in 2013.

The Bangladesh Navy ordered two **Ruag Aviation** Do 228NG turboprops to perform maritime patrol and rescue missions. **Ruag** said the contract includes crew-training services and aircraft maintenance on-site in Bangladesh. Both aircraft are due for delivery in mid-2013. The Do 228NGs will be the **Navy's** first fixed-wing aircraft. They will be used for detecting oil slicks, performing border and fisheries patrol duties, and conducting environmental research, the manufacturer said. **Ruag** will assemble the aircraft out of components built by **Hindustan Aeronautics LTD (HAL)** in India and other sources. The customer and mission-specific parts, such as radios and navigation aids, will be installed at **Ruag's** Oberpfaffenhofen factory near Munich, Germany.

Embraer selected the **International Aero Engines (IAE)** V2500-E5 turbofans to power its KC-390 military airlifter, after a lengthy bidding process. This is the first time the V2500 will power a military aircraft. The joint venture, between **Pratt & Whitney**, **Rolls-Royce**, **MTU Aero Engines** and **Japanese Aero Engine Corp**, called the KC-390's engine the V2500-E5. Until now, **IAE** built the V2500-A1 and -A5 for the **Airbus A320** Family and the V2500-D5 for the **McDonnell Douglas MD-90**. **IAE** must deliver the first test engines to **Embraer** in 2013, and the first production engines in 2015. The manufacturer said the V2500 will need minor alterations to meet **Embraer's** military requirements. The V2500-E5 will extend the engine's production life. The V2500 will be superseded by the next generation of turbofans, **Pratt & Whitney's** PW1000G Geared Turbofan (GTF) and **CFM International's** LEAP-X and LEAP-1B, at the end of the decade. So far, **Embraer** has received commitments for 60 KC-390s and the first ones will be delivered in 2015. Production of the mid-sized military transport could extend well into the 2020s.

Antonov plans to start flight testing its new An-178 military airlifter in 2013. The An-178 offers a rear cargo door and ramp, but it is otherwise very similar to the high-wing An-158, which is still in the design stage. The An-158 is a stretched version of the 85-seat An-148 regional jet. Antonov said the plane will be able to carry 15,000kg of payload and will replace the An-12 in Russian service. The An-178 is touted as a rival to older Western turboprop designs, such as the **Alenia Aeronautica C-27J** and **Lockheed Martin C-130J**. It is a direct competitor to the **Embraer KC-390** and the **Hindustan Aeronautics/United Aircraft** Ilyushin Il-214 Multi-role Transport Aircraft (MTA). All three planes will fly in 2013 or 2014. **Antonov** is also designing a weapons-carrying, maritime-patrol aircraft based on the An-168 executive jet, which is capable of flying 7,000 kilometers. The manufacturer restarted

production of its An-70 strategic transport and will deliver two to the **Ukrainian Air Force** in 2011 and 2012. The **Russian Air Force** ordered 60 An-70s for delivery in 2015 and 2016.

AIRCRAFT DELIVERIES & SALES Jet Aircraft

A318 & A319. Still no A318s have been delivered this year. In July, **Airbus** delivered 10 A319s, including four -111s (SN 4778, 4781, 4785 & 4787) to **easyJet**. In one of a few instances where an airline orders an aircraft fleet and mixes engine types, **TAM**, Brazil, bought one CFM56-powered -112 (SN 4756) and one V2500-engined -132 (SN 4773). **Tibet Airlines**, the newly established Chinese airline based in Lhasa, Tibet, took delivery of its first of three -115s (SN 4766). **Turkish Airlines—THY** accepted -132 (SN 4774) and **Sichuan Airlines** received -133 (SN 4660). **Iberia** took delivery of -111 (SN 4768). Only four A319s were delivered in August. **Tibet Airlines** took its second -115 (SN 4801). **Alitalia** leased -111 (SN 4764) from **Aircraft Purchase Fleet**. **Turkish Airlines—THY** received -132 (SN 4790) and **Lufthansa** accepted -112 (SN 4796). **EasyJet** is selling two of its used A319-111s (SN 2884 & 2959) through **AMS Aircraft**, U.K. The airplanes were manufactured in 2006, and are powered by CFM International CFM-56/5B5/P engines.

A320. **Airbus** delivered 18 A320s in July, including six to Chinese airlines – one -232 (SN 4775) to **Air China**, one -214 (SN 4765) to **China Eastern Airlines**, two -232s (SN 4751 & 4782) to **China Southern Airlines**, one -214 (SN 4652) to **Juneyao Airlines**, and one -232 (SN 4644) to **Hainan Airlines**, which was leased to **China West Air**. In the Americas, **Avianca** received -214 (SN 4763), **LAN Airlines** bought two -233s (SN 4758 & 4767), **Interjet** acquired -214 (SN 4730), and **Volaris** leased -233 (SN 4798) from **Jackson Square Aviation (JSA)**. This is the first of seven A320s to be acquired through a long-term operating lease. **DVB Bank SE** provided senior debt. **JSA** provided PDP financing to **Volaris** in connection with this transaction. In Asia, **Indigo** took delivery of -232 (SN 4762) and **Uzbekistan Airways** received another -214 (SN 4770). **CIT Leasing** leased a -214 (SN 4777) to **Airphil Express** and **Qantas** leased -232 (SN 4772) to **Jetstar Asia**. **Gulf Air** and **Qatar Airways** acquired -214 (SN 4780) and -232 (SN 4754), respectively. **Air Berlin** bought -214 (SN 4794) and sold it to **China Southern Airlines**.

Airbus delivered 20 A320s in August, including two -216s (SN 4793 & 4797) to **AirAsia**. The second airplane is operated by **AirAsia's** subsidiary, **AirAsia Philippines**. The airline was founded in December 2010, and it is 60 percent owned by Filipino entrepreneurs. The other 40 percent is held by **AirAsia Berhad** through its wholly owned subsidiary **AirAsia International**. The second A320 will be delivered this year and another two are due in 2012. The airline plans to launch international services to Bangkok, Incheon, Hong Kong, Macau and Singapore and will offer domestic services as well. In the Middle East, **Qatar Airways** acquired two more -232s (SN 4784 & 4802). **Gulf Air** received -214 (SN 4827) and **Air Arabia** bought -214 (SN 4806). In the Americas, **Avianca** received -214 (SN 4789), **LAN Airlines** bought -233 (SN 4815), and **RBS Aerospace** leased -214 (SN 4805) to **Virgin America**. **Airbus** delivered -214 (SN 4808) to **Air Berlin**, -214 (SN 4800) to **Air France** and -232 (SN 4791) to **British Airways**, in Europe. **Air Berlin** sold its -214 to **China Southern Airlines**. In the Asia/Pacific region, **Qantas** leased -232 (SN 4786) to **Jetstar Asia**, **Tiger Airways** bought -232 (SN 4804) and

Indigo received -232 (SN 4813). **Airbus** delivered four A320s to Chinese customers, including two -214s (SN 4685 & 4702) to **China Eastern Airlines** and one -214 (SN 4803) to **Air China**. **Hainan Airlines** leased -232 (SN 4677) to **Capital Airlines**. A private customer took delivery of one -200.

Airfinancial Management Ltd bought -200 (SN 361) from **AerCap Ireland**, and leased to **Khors Aircompany**, Ukraine, in July.

A321. **Airbus** delivered 11 A321s in July and August. **Air China** acquired -232 (SN 4771) in July. **Turkish Airlines—THY** took delivery of one -231 (SN 4779) in July and one -231 (SN 4788) in August. **Lufthansa** received -231 (SN 4792 & 4819) in July and August, respectively. **Vietnam Airlines** accepted one -231 (SN 4783) in July and one -231 (SN 4826) in August. The later was leased to **Cambodia Ankor Air**. **Airbus** delivered one -211 (SN 4811) to **Saudi Arabian Airlines** and two -231s (SN 4824 & 4830) to **Sichuan Airlines**.

A330 & A340. **Airbus** delivered six A330s in July. **Aircastle Advisor Ltd.** leased another -243 (SN 1236) to **South African Airways** and -243F (SN 1115) to **Hong Kong Airlines**. This aircraft was the 800th A330 to be delivered and is the third A330-200F for **Hong Kong's** fleet. **Air China** received -243 (SN 1237). **AerCap Ireland** leased -343E (SN 1231) to **Virgin Atlantic Airways** and one -243 (SN 1241) to **Sichuan Airlines**. **Cathay Pacific Airways** took delivery of -342E (SN 1239). In August, **Airbus Military** delivered -243 MRTT (SN 1248) to the **MTAD** for eventual delivery to the **Royal Air Force (RAF)**. **China Southern Airlines** received -223 (SN 1244). **Aeroflot** accepted -343E (SN 1247), **Malaysia Airways** took delivery of -323E (SN 1243), and **Etihad Airways** accepted its sixth -343E (SN 1245).

A380. **Airbus** delivered the eight -841 to **Lufthansa** in July. **Korean Air** received its second and third -861s (SN 039 & 059) in July and August, respectively. **Airbus** has delivered 13 of its flagship A380s in 2011, bringing the overall total number received by airline operators to 54.

BAE Systems. **PT Aviastar Mandiri** bought BAe 146-200 (SN E2227) from **Falko**. The Indonesian charter operator has three BAe 146s in its fleet and operates passenger flights between the main islands in Nusa Tenggara and Bali, and in Central and West Kalimantan.

Deucalion Capital X Limited, an investment fund advised by **DVB Bank SE (DVB)**, has acquired six Rolls-Royce Trent 772 powered A330-300 aircraft from **Cathay Pacific Airways Limited** and leased them back on long-term leases. The six aircraft entered **Cathay Pacific** before 2001. **GE Japan Corporation** has provided senior debt financing. **PK AirFinance S.a.r.l.** acted as security trustee. **SkyWorks Capital Asia Limited** acted as an advisor to **Cathay Pacific**.

DVB Bank closed two separate finance facilities with **Guggenheim Aviation Partners** for two A330-200s on lease to **Jet Airways**, India, and three 777-200ERs on lease to **American Airlines**. Both A330-200s were delivered new to **Jet Airways** in 2008, and were sold to and leased-back with **Guggenheim's** managed fund in March. The 777-200ERs were delivered to **American** from 2000 to 2002. The finance facility for three 777s closed in early June, and the planes were subject to a sale/leaseback as well. **DVB Bank** provided a back leveraging of this acquisition by the **Guggenheim** fund.

Boeing 717. Southwest Airlines' CEO Gary Kelly said the airline is "happy to fly" the 717s that are in its **AirTran** fleet, but "we don't see a reason to keep the 717s longer than we have to." He praised the 717, saying that it was "very cost effective" on the small-market routes that it serves. Mr. Kelly plans to replace the 717s with more Boeing 737s. This statement may discourage speculation that **Southwest** will order the **Bombardier** CSeries. **Southwest** is committed to lease some 717 through 2024. The airline owns only eight of the 88 717s in **AirTran's** fleet. Most of them are leased from **Boeing Capital Corporation**.

Boeing 737NG. Boeing delivered 29 737s in July and a near-record 39 737s in August. The manufacture intends to build 42 737s per month soon and may ramp up production to 60 per month in the coming years. Boeing delivered multiple 737s to several airlines in July, including two -9GPER/Ws (SN 37283 & 38300) to **Lion Air**, two -838/Ws (SN 34191 & 39362) to **Qantas**, two -87L/Ws (SN 39146 & 39147) to **Shenzhen Airlines**, three -7H4/Ws (SN 36675, 36962 & 36963) to **Southwest Airlines**, and two -75C/Ws (SN 38381 & 38384) to **Xiamen Airlines**. **GECAS** leased two -86N/Ws (SN 36823 & 36824) to **Xiamen Airlines**. **Air Algérie** accepted -8D6/W (SN 40864), and **American Airlines** acquired -823/W (SN 40764). Four lessors accepted one -800 each. **ALAFCO** leased -8HO/W (SN 37935) to **Caribbean Airways**, **Aviation Capital Group** leased -8HX/W (SN 38098) to **Shandong Airlines**, **BOC Aviation** leased -8V3/W (SN 37957) to **Copa Airlines**, and **ILFC** leased -8Q8/W (SN 38822) to **Korean Air**. Boeing delivered one -73W/W-BBJ (SN 40117) to **Boeing Business Jet** for operation by a VIP customer, and -8FVERX (SN 40808) to **Boeing Military/United States Navy**. It is the first production P-8A. Four more Chinese airlines received -800s in July — **Air China** -89L/W (SN 40028), **China Southern Airlines** -81B/W (SN 38964), **Hainan Airlines** -84P/W (SN 38143), and **Shandong Airlines** -85N/W (SN 39128). **flydubai** accepted -8KN/W (SN 40247), and **Virgin Australia Airlines** received -8FE/W (SN 37824). In July, **Air Berlin** took delivery of two -86J/Ws (SN 36877 & 36883). It sold the first to **ICBC** for lease to **China Southern Airlines** and the second to **Jackson Square Aviation**, which leased to **Transaero**.

Boeing reported that it delivered the 50th Next-Generation 737 to **Xiamen Airlines** in August. The airplane was equipped with the High-Altitude/High-Temperature Airport Operations Feature Package and the new Boeing Sky Interior. Boeing delivered the 400th airplane to **GE Capital Aviation Services (GECAS)**. It was leased to **Xiamen Airlines**. **GECAS** has ordered 485 airplanes from Boeing to date. **China Southern Airlines** accepted the first Next-Generation 737-800 fitted with the new CFM56-7BE improved-performance engines. The engine is now the standard for all 737s to be delivered. The engine features a modified high- and low-pressure turbine modification. The engine, coupled with drag reduction improvements, will reduce fuel consumption by 2 percent. Boeing delivered the 100th 737 outfitted with the Boeing Sky Interior to **GOL Airlines**. The airplane was also fitted with the CFM56-7BE engines.

In August, **Air Berlin** received two more -86J/Ws (SN 36119 & 36884) and sold the first one to **Jackson Square Aviation** for lease to **Transaero**. Boeing delivered multiple 737s to seven more airlines including: two -89L/W (SN 40016 & 40029) to **Air China**; three -823/Ws (SN 31127, 33219 & 40765) to **American Airlines**; two -8EH/W (SN 35844 & 35851) to **GOL Airlines**; two -838/Ws (SN 34193 & 39357) to **Qantas**; two -87L/Ws (SN 39148 & 39149) to **Shenzhen Airlines**; two -7H4/Ws (SN 36676 & 36985) to **Southwest Airlines**, and two -75C/Ws (SN 38383 & 38385) to **Xiamen Airlines**. **GECAS** leased -86N/W (SN 36821) to **Skymark Airlines** and -86N/W (SN 36822) to **Royal Air Maroc**. **BLF Ltd.** leased two -8GU/Ws (SN 36386 & 36387) to **UTair Aviation**, Russia. The lessor

ordered four -800s in March 2006. **Boeing Business Jet** took delivery of -7JV/W BBJ (SN 38854). It was sold to **Felham 2 Ltd.** and leased to **Essar Shipping and Logistics Ltd.** **Aviation Capital Group** leased -8HX/W (SN 38099) to **Shandong Airlines**. **BOC Aviation** leased -8V3/W (SN 37958) to **Copa Airlines**, and **CIT Leasing Corporation** leased -7BK/W (SN 39446) to **KLM-Royal Dutch Airlines**. **Boeing** delivered one 737 each to five Chinese airlines including: -79P/W (SN 39719) to **China Eastern Airlines**, -71B/W (SN 38912) to **China Southern Airlines**, -84P/W (SN 38144) to **Hainan Airlines**, -85N/W (SN 39115) to **Shandong Airlines**, and -86D/W (SN 37906) to **Shanghai Airlines**. **Continental Airlines** accepted -824/W (SN 31663), and **Copa Airlines** received -8V3/W (SN 40362). In Africa, **RwandAir Express** took delivery of -84Y/W (SN 40892), and **Tassili Airlines** acquired -8ZQ/W (SN 40886). **Boeing** delivered -8KN/W (SN 40249) to **flydubai**, -9GPER/W (SN 37284) to **Lion Air**, and -8H6 (SN 40132) to **Malaysia Airlines**. Elsewhere, **Norwegian Air Shuttle ASA** received -8JP/W (SN 39008), and **Virgin Australia Airlines** bought -8FE/W (SN 37825).

Lessors' Sales and Lease-backs. **GECAS** purchased and leased back two new 737-800s with **Pegasus Airlines**, Turkey. The planes were delivered in May and June. **GECAS** purchased and leased back four -800s with the airline in April.

AerCap agreed to purchase and lease back up to 35 new 737-800s with **American Airlines**. The lessor will purchase the aircraft from **American** immediately after delivery. The agreement covers 29 firmly ordered aircraft and six 737s that are subject to purchase rights that are scheduled for delivery in 2013 – 2014.

Boeing 747. **Bristol Associates** arranged the sale of a 1992-vintage -422 (SN 26876) to **Orient Thai Airlines** (Thailand) on behalf of **United Airlines**. This marks the 37th aircraft placed on behalf of **United/Continental**, and is part of the over 100 ex-**United** and **Continental** aircraft remarketed by **Bristol** on behalf of various owners.

Boeing 757. **Dublin Cabot Aviation** arranged the sale of **Flycraft 11**-owned -200ER (SN 30233) to **Wings Aviation** in June. The aircraft is powered by Rolls-Royce RB211-535E4B engines and was previously operated by **ATA**, **VIM-Avia**, Russia, and **Aurela** in Lithuania.

Boeing 767. **Boeing** delivered two 767s in July and two in August. One -34AF (SN 37868) was handed over to **United Parcel Service**. **Japan Airlines (JAL)** accepted -346ER (SN 40367) in July and -346ER (SN 40368) in August. **All Nippon Airways** received -381ER (SN 40895) in August. **AWAS** leased a -300ER to a new customer, **GMG Airlines**, Bangladesh. The airline is owned by the industrial conglomerate **Beximco**, and started domestic operations in April 1998. It began international flights in September 2004.

Boeing 777. **Boeing** delivered seven 777s in July and seven more in August. **GECAS** leased a second -F6N (SN 37717) to **China Cargo Airlines** in July. The airline leased the first one from **GECAS** in late 2010. **Boeing** delivered two 777s to African airlines — one -260LR (SN 40774) to **Ethiopian Airlines**, and one -3M2ER (SN 40806) to **TAAG Angola Airlines**. **Guggenheim Aviation Partners** leased -FHT (SN 38969) to **TNT Airways**. **Air China** received its first two extended-range 777-39LERS (SN 38666 & 38672) in July and August, respectively. The airline has 17 more on order and will take three more by the end of the year. **Boeing** delivered two -31HERs (SN 35596 & 38988) to **Emirates** in July, and -31HER (SN 35597) followed in August. In August, **Air Austral** acquired -29MLR (SN 40955) and

Cathay Pacific Airways took delivery of two -367ERs (SN 37897 & 39234). **Dubai Aerospace Enterprise** leased -F1H (SN 35612) to **Emirates**, and **Turkish Airlines** received -3F2ER (SN 40796).

Bombardier delivered CRJ702ER NextGen (SN 10327) to **Ibex Airlines**, and CL702 NG (SN 10328) to **Skywest Airlines** in July. **Iraqi Airways** leased two CL900 NGs (SN 15265 & 15266) from the **Iraqi Government**. **Brit Air** leased CRJ1000EL NG (SN 19014) from **Constellation Finance**.

Fokker. AviancaTaca chose **BAE Systems** to remarket its Fokker 100 jetliners. The Fokker 100s were built between 1992 and 1994, and will be retired from the fleet from now to June 2012. There are 170 Fokker 100s in service with 33 different operators. They usually seat 100 passengers and are powered by **Rolls-Royce** Tay 650-15 engines. This deal follows **BAE Systems'** successful sale of eight MD-83s for **Avianca**. **BAE Systems Asset Management's** team is marketing a further 24 aircraft on behalf of various owners worldwide.

AviaAM Leasing, Russia, acquired eight **Bombardier** CRJ200s from **German Operating Aircraft Leasing GmbH & Co. KG (GOAL)**, Germany. The first of the CRJ200s will be handed over in the fourth quarter and will be offered to lease to clients from Russia and the CIS.

Embraer delivered EMBRAER 190-100 IGW (SN 19000446) to **JetBlue Airways**, and E-195 (SN 19000447) to **Lufthansa Cityline** in July. **Air Lease Corporation (ALC)** leased its first E-190s (SN 19000450) to **Trip Linhas Aereas**. In August, **Aerolittoral**, Mexico, received E-190 (SN 19000455). **Austral Lineas Aereas** took delivery of two E-190s (SN 19000445 & 19000448). **Tianjin Airlines** received two E-190s (SN 19000454 & 19000459). **Virgin Australia Airlines** accepted E-190 (SN 19000451). **CDB Leasing Company** leased two E-190s (SN 19000456 & 19000465) to **China Southern Airlines**. These are the first two of 20 E-190s that **CDB Leasing** ordered. All of them will be leased to **China Southern**. In Europe, **Globalia/Air Europa** received E-195 (SN 19000452), **Lufthansa Cityline** acquired E-195 (SN 19000464), and **LOT Polish Airlines** accepted E-195 (SN 19000462).

McDonnell Douglas. FedEx is donating an MD-10-30 cargo aircraft to **ORBIS International** to be converted into the non-profit organization's third-generation Flying Eye Hospital. The MD-10 replaces a 1970-built **McDonnell Douglas** DC-10-10, and like its predecessor, it will house a fully functioning eye hospital on board. **ORBIS** works to eliminate preventable blindness throughout the world. In addition to the MD-10-30 donation, **FedEx** has made a new \$5.375 million commitment in the form of cash and in-kind gifts.

Jet Midwest Group, a Kansas City-based aircraft trading company, purchased nine MD-82 and MD-83 aircraft from **American Airlines**. The aircraft are offered for sale or lease to **Jet Midwest's** customers. The company's subsidiary MRO, **Jet Midwest Technik**, recently added MD-80 and 737 heavy inspections to its list of capabilities.

American Airlines will retire at least 25 of its 219 MD-80 aircraft this year. The **MCD** planes account for 35 percent of **American's** total fleet and they average 19 years of age. They are being replaced by new 737-800s. **Delta Air Lines** retired 28 of its DC-9s in 2010, and will ground the other 39 within 18 months.

Turboprops

ATR delivered ATR 72-500 (SN 962) to **Isirair** in July; the airline has a second one on order. **UTair Aviation** accepted its first two ATR 72-500s (SN 963 & 965) in August. **Skywest Airlines**, Australia, took delivery of its first two ATR 72-500s (SN 954 & 955). The airplanes will be operated on behalf of **Virgin Australia**, as part of a 10-year contract. **Skywest Airlines** ordered four ATR 72-500s, and four ATR 72-600s, and optioned five more -600s. The ATR 72-500s will be delivered this year, while the four ATR 72-600s will enter into service in 2012. **Wings Abadi Airlines** received ATR 72-500 (SN 961).

Bombardier delivered two Dash 8Q-402NGs (SN 4366 & 4370) to **Flybe** in July. Three of the airline's Dash 8Q-400 fleet will be sold to **South African Express**. The airplanes will be sold to the **Rand Merchant Bank**, Johannesburg, which will then lease them to **SA Express**. **Flybe** said the aircraft were sold for a modest profit above book value. The carrier is negotiating to sell another four Dash 8s, but has not identified a prospective buyer. **Qantaslink** received three -402NGs (SN 4371, 4375 & 4376). They will be operated by **Sunstate Airlines**. **Jazz Air** accepted -402NG (SN 4372) for operation for **Air Canada Express**. **Spicejet** took delivery of two -402NGs (SN 4373 & 4374) in July, and two more (SN 4377 & 4378) in August. **Colgan Air** accepted -402NG (SN 4380) and put it into service for **Untied Express**. **Jazz Air** received another -402NG (SN 4381) in August.

ATR handed over the first ATR 72-600 (SN 960) to launch customer **Royal Air Maroc (RAM)** on August 16. This was the anniversary of the first test flight of an ATR aircraft 27 years ago. **RAM** announced its order for two ATR 42-600s and four ATR 72-600s in 2009. The airline optioned two more ATR 72-600s in a deal worth a total of \$125 million. The planes will be operated by **Royal Air Maroc Express**. The second plane (SN 958) was delivered on August 19. The ATR 72-600 was certified by the **European Aviation Safety Agency** in May. It features new glass cockpit avionics, upgraded communications and flight-management systems, and higher power **Pratt & Whitney** PW127M engines. Since launching the new -600 program in October 2007, **ATR** has received orders for 170 aircraft, including five ATR 42-600s and 165 ATR 72-600s.

Falko will sell one Dash 8-Q300 on behalf of **Royal Air Maroc**. The 2001-model aircraft was configured with 50 seats and was in storage at Maastricht, Holland.

EADS-CASA. The **Vietnam Marine Police** took delivery of the first of three C212-400 it ordered from **Airbus Military**. The second C212 will arrive this year, and the third is due in early 2012. The C212s will be used as Maritime Patrol aircraft and will carry out coastal surveillance missions, watching for illegal fishing, drug traffic and smuggling.

Antiques and Other Junque

FL Technics has purchased seven Boeing 737-300s from **AirAsia**. The planes will be for disassembled into parts and components in Malaysia. **FL Technics** will use the components to form and maintain a wide stock of 737 Classic spare parts and components as well as to expand the company's warehouse portfolio capabilities. The decision to acquire 737-300s was due to the rapidly increasing demand for parts and components of 737 Classic in Central and Eastern Europe as well as the CIS markets.

Jet Midwest, a global aircraft parts supplier, acquired two Fokker 100s (SN 11352 & 11428) from **Aero Mongolia** to support their worldwide customer base of F100 operators. The aircraft were flown to the company's facility in Kansas City for dismantling. So far, **Jet Midwest** has purchased 11 Fokker 100s aircraft for dismantling and has one of the largest inventory of F.100 parts.

Universal Asset Management (UAM) purchased 747-400 (SN 25647) for immediate disassembly at its Tupelo, Mississippi, facility.

Accidents and Safety

From Aviation Safety Foundation

Asiana Airlines Boeing 747-48EF, HL7604 (SN 29907), was on a cargo flight from Seoul to Shanghai on July 28, when a fire started in the cargo hold. The flight crew tried to divert to Jeju, South Korea, but the plane crashed into the sea. Both pilots were killed.

Three Accidents in Russia. Angara Airlines Antonov 24RV, RA-47302 (SN 57310302), crashed into the Ob River, Russia, on July 11. The airplane was flying from Tomsk to Surgut when the pilot reported an engine fire and said he was making an emergency landing. Seven passengers were killed.

Avis Amur Antonov An-12, RA-11125 (SN 3341006), crashed near Omsukchan, Russia, killing the 11 occupants. The airplane was brought down by a fire in one of its four engines on August 9. The **Aviation Safety Foundation** reports that the An-12 was the oldest plane in the Russian commercial fleet.

IrAero Antonov An-24RV, RA-46561 (SN 67310609), was destroyed by a hard landing at **Blagoveshchensk Airport**, Russia, on August 8. Ten of the 36 occupants were injured. The plane lost both of its wings and the fuselage was badly damaged.

Royal Moroccan Air Force Lockheed C-130H Hercules, CNA-OQ (SN 4892), crashed on approach to **Goulmime Airport**, Morocco, on July 26. All 80 passengers and crew were killed in the crash. So far, no reasons for the accident have been published.

Hewa Bora Airways Boeing 727-030 (WL), 9Q-COP (SN 18323), crashed on landing at **Kisangani Airport**, D.R. Congo, on July 8. The airplane landed during a heavy rain, with limited visibility and thunder storms in the area. **Hewa Bora** said the plane was carrying 112 passengers and a crew of six. Authorities said 74 people were killed.

Caribbean Airlines Boeing 737-8BK (WL), 9Y-PBM (SN 29635), was destroyed when it overran the runway upon landing at **Georgetown-Cheddi Jagan International Airport**, Guyana, on July 30. None of the 156 passengers and six crewmembers were killed. The airplane broke in two and was written off.

First Air Boeing 737-210C, C-GNWN (SN 21067), flew into terrain while on approach to **Resolute Bay Airport**, NU, Canada on August 20. Eight of the 11 passengers and all four crew members were killed. The 36-year-old airplane was operating a charter flight between Yellowknife and Resolute Bay. The plane struck a hill one mile from the runway during foggy and wet weather.

Two Regional Turboprops Crash. NOAR Linhas Aéreas Let L-410UVP-E20, PR-NOB (SN 2722), was destroyed in an emergency landing near **Recife-Guararapes International Airport**, Brazil, on July

13. All 14 passengers and two crew members were killed. Shortly after takeoff, the pilot reported that he needed to return to the airport. Later, he radioed that he would try to land on the beach at Boa Viagem. The airplane came down in a vacant lot 1,700 meters from the runway threshold.

MASwings de Havilland Canada DHC-6 Twin Otter 310, 9M-MDM (SN 804), left the runway at **Lawas Airport**, Malaysia, on August 24. The nose gear collapsed and the plane was substantially damaged, but none of the 16 passengers nor two crew were injured.

Three Planes Destroyed at Tripoli. Two A300s, **Afriqiyah Airways'** A300B4-620, 5A-IAY (SN 354), and **Libyan Arab Airlines'** A300B4-622R, 5A-DLZ, and one unknown Il-76 freighter were destroyed at **Tripoli International Airport** on August 25. The planes were burned out during a battle between Libyan rebels and the **Gaddafi** government loyalists.

Gulf Air Airbus A320-214, A9C-AG (SN 4188), went off the side of the runway at **Cochin International Airport**, India, on August 29. The nose gear collapsed and seven passengers were injured.

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Since its establishment in 1962, AVMARK has been providing consulting management services to all sectors of the aviation community. From offices in Washington DC and Singapore, together with associates based in United States (North America), Ecuador (South America), Spain (Europe), Congo (Africa), New Delhi (India and Asian Market), we serve a worldwide clientele. Our staff is comprised of professionals with extensive, successful careers in technical, commercial and managerial areas of aviation enterprises; combining real world operational experience with sophisticated analytical tools to provide our clients with the most effective solutions to their problems.

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Aircraft appraisal, inspection and technical monitoring; analysis of market conditions and forecast of values; assistance with aircraft acquisitions and placement; valuation of facilities, equipment and other assets.

AIRLINE IMPROVEMENT PROGRAMS

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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.

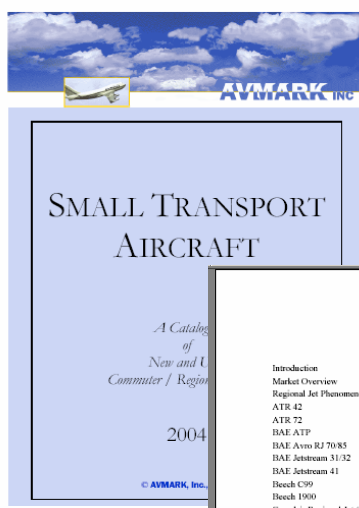
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AVMARK's Small Transport Aircraft Catalogue (STA); designed as an easy to use reference guide to compare the operating and cost parameters of 35 regional jet and turboprop aircraft.

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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 airline industry is the use of old generation propeller aircraft to transport 50 million passengers using state of the art technology.

Online Association (RAA):

Online:

99%:

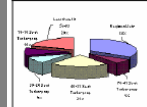


Table of Contents

Introduction	1
Market Overview	2
Regional Jet Phenomenon	4
ATR 42	5
ATR 72	12
BAE ATP	19
BAE Avro RJ 70/85	23
BAE Jetstream 31/32	29
BAE Jetstream 41	36
Beech C99	40
Beech 1900	44
Canadair Regional Jet (CRJ) 100/200	51
Canadair Regional Jet (CRJ) 700	58
CASA 212	62
CN235	66
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
Memo	124
Fokker 50	128
Fokker 70	132
Let 410-420	136
Seab 340	140
Seab 2000	144
Shorts 330	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	74 ft 5 in
Length	60 ft 7 in
Height	24 ft 11 in
Wing Area	48 ft 3 in
Wing Loading	6.8 ft 5 in
Wing Span	6.8 ft 5 in
Wing Area	170 / 170 / 53 sq ft
Weight	36,815 lb
Max Gross Weight	36,155 lb
Max Ramp Weight	33,510 lb
Max Landing Weight	22,875 lb
Max Takeoff Weight	10,835 lb
Max Ramp Weight	9,920 lb
Max Landing Weight	62.83 lb / sq ft
Max Takeoff Weight	10.22 lb/cu ft

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 display, Altitude and Heading Reference Systems (AHRS), Autopilot, Flight Director, 1 DFC-600 Autopilot, Flight Director, Dual King Gold Crow Dual King Gold Crow VHF Nav, Radar, DME, Radio Altimeter, Honeywell P-800 Weather Radar.

Price List

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

ATR 42-300

Direct Operating Costs (\$ per block hour)

Utilization (Block Hours / Year)	100	300
Average Stage Length (nm)	100	300
Flying Operations	\$180	\$180
Flight Crew, Salaries / Expenses	\$173	\$162
Fuel, Oil, Taxes	\$3	\$3
Other	\$3	\$3
Aircraft Costs	\$3	\$3
Insurance	\$476	\$476
Maintenance	\$62	\$62
Depreciation	\$318	\$318
Rentals	\$318	\$318
Total Direct Operating Costs	\$905	\$933
Cost per Available Seat Mile - \$	12.33	9.65
Cost per Airplane Mile	\$5.67	\$4.44
Cost per Seat Block Hour	\$19.67	\$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 airline Air France. 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 PW127x 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.

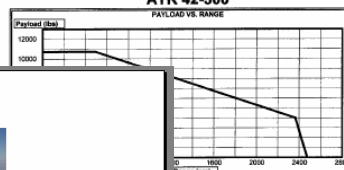
The ATR 42 and ATR 72 have a very high degree of commonality, allowing for cross-crew qualification, and a common spare parts holding.

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.

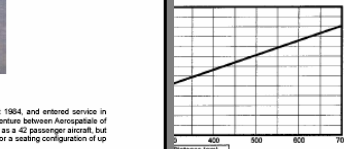
ATR 42-300

PAYLOAD VS. RANGE



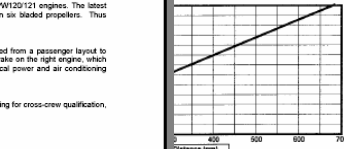
ATR 42-300

CRUISE VS. ALTITUDE



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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

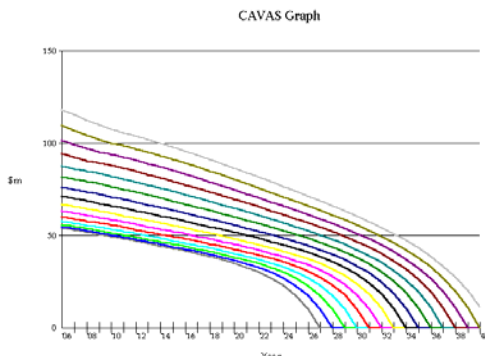
35 years

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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	63.54	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	80.37	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	79.16	84.76	90.91	97.97	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	32,186,749	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	33,796,036	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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