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Newsletter

Market Comment

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Are New Aircraft Orders a Speculative Bubble? At the recent **International Society of Transport Aircraft Trading (ISTAT)** conference, several analysts discussed whether the pace of new orders was sustainable and whether the airplanes will be delivered. As of February 29, **Airbus** had a backlog of 4,444 airplanes and **Boeing** had 4,072 outstanding aircraft orders, approximately seven years' production at planned output. Both manufacturers sold a net total of 2,340 aircraft, and delivered 1,011 — most were A320s and 737s. The manufacturers do not see the “bubble” as a problem, but as a solution. The production line is fully-booked for the next year and sold out for years to come. About 2,000 of the new orders are for the A320neo and 737MAX, which will not enter service for the next four or five years. The builders also over book production slots, much like an airline over books a flight, to insure that no capacity is wasted. Slots are no longer assigned at the whim of the customer, now deliveries are carefully planned to mitigate against regional financial crises or airline failures. **Airbus** and **Boeing** believe they can balance supply, demand and risk, which allows them to over sell the production capacity. They re-assign slots quite often now, so that one airline can defer an order and another can get early delivery. **Boeing Commercial Airplanes** Senior VP of Marketing, **Mike Bair**, said the company will be able to motor through the next downturn because the seven-year backlog protects the company. **Boeing** traditionally wanted a four-year cushion. The business plan seems to be working. During the 2007-2009 recession in the U.S., where fuel prices doubled and a global financial crisis killed demand for new aircraft, **Airbus** and **Boeing** were able to re-assign the orders that were canceled or deferred to other customers, and avoided deep production cuts.

Avitas' Adam Pilarski thinks that easy U.S. and E.U. government export-credit financing and rising fuel prices created a hyper-demand that is unsustainable. He told the conference that if you have to wait years to receive a new airplane, “that’s a sign of a bubble.” **Morgan Stanley's Heidi Wood**, disagreed and said she never believed in the sales totals. The manufacturer may have sold the same 30 delivery slots two or three times over. “I don’t care. What I care about is the feasibility of the 30. I don’t believe there are 90. I never did.” She looked at the short term delivery schedules and they are solid. **Henri Courpron**, CEO of **International Lease Finance Corp.**, is not too

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worried either. He said “There seems to be a bit of exuberance in airplane orders,” but “we should not confuse selling aircraft with delivering aircraft.” The lessors have also ordered more aircraft than may seem prudent, because leasing companies can easily provide short term capacity to airlines in need. So far, only **DAE Capital**, has cancelled most of its backlog, and that may have been due to Dubai’s financial troubles. **Bombardier** and **Embraer** had much thinner backlogs and they had to reduce production during the downturn.

Leasing companies and finance companies have reason for concern about over production. There are hundreds of relatively young A320s and 737-800s coming on the market, driving down residual values. Airlines want new jets because they are more easily financed. The launch of the A320neo and 737MAX are also crushing the value of current model single aisle jets. Fifty-five percent of the **ISTAT** attendees thought **Airbus** and **Boeing** were producing too many A320s and 737NGs, but many of them want a tight aircraft market to keep lease rates and residual values high.

It is easy to predict a bubble after it has popped. There are plenty of prognosticators who forecast bubbles, but they are only acknowledged if they made their forecast shortly before the event. There are many possible near-term events that may prompt the bursting of an aircraft production “bubble.” A war in the Middle East, between Israel, Saudi Arabia and the U.S. on one side and Iran, Hezbollah and Syria on the other would throw the oil market into panic, and cause another recession and financial melt down in the United States. The European financial crisis may eventually cause the break up of the Eurozone and a recession there. China’s economy may spin out of control and growth will cease there. North Korea may mis-calculate the fortitude of South Korea. Sectarian civil war may erupt in Nigeria and any number of natural catastrophies may block the global flow of trade. Inflation may cause the **Federal Reserve** to quickly raise interest rates. A sharp shock to the world’s financial system will quickly cause a global recession that will depress travel demand just as quickly. A simultaneous recession in several regions will make moot all the manufacturers’ carefull calculations and they will have to cut production.

On the bright side, **Steven Udvar-Hazy**, CEO of **Air Lease Corp.**, said that North American airlines need to replace their oldest jets. “We will have more aircraft that will hit the 20-25-year span of age than we’ve ever had before. . . . We can’t just

look at the numbers of aircraft being built, we have to look at the numbers that are becoming obsolete,” he said. With cheap financing, the major carriers can afford new jets, because they cannot afford to operate the old ones any longer.

Airbus Orders

Airbus Sold Only Six Airliners in February – after several months of record breaking sales. **Cathay Pacific Airways** ordered six more A350-900s, list priced at \$1.63 billion (\$272 million each). They will be delivered in 2016 and 2017. The Asian long-haul airline previously ordered 30 A350s and contracted to lease two more from **ILFC**. The new planes will be used for flights to Europe and replace older, less-efficient A340-600s and 747-400s. **Cathay** will take delivery of its first A350-900 in 2014.

ALAFCO announced its previously the undisclosed order for 35 more A320neo aircraft that it placed in December, 2011. The planes will be delivered from 2019 through 2021, fitted with **CFM International** LEAP-X1A engines. The Kuwaiti lessor also cancelled six A350-900 orders. It has now ordered 110 A320s and a dozen A350-900s, and taken delivery of 25 A320s.

Drukair, Bhutan, signed a Memorandum of Understanding to buy two A319s, equipped with Sharklets.

Airbus delivered 47 aircraft in February, including a total of 36 A319s, A320s and A321s. By the end of the month, the manufacturer delivered 5,010 of its most popular airliner, which entered service in 1988. The other widebody aircraft handovers during the month were eight A330s; they were handed over to one lessor and six airlines. **Airbus** delivered three A380s – one each to **China Southern Airlines**, **Emirates**, and **Singapore Airlines**, for a total of 71 deliveries.

Airbus displayed its super-jumbo A380 and its new generation A400M airlifter at the **FIDAE Air Show (Feria Internacional del Aire y del Espacio)** in Santiago, Chile, in late March. Both airplanes

Airbus Orders, Deliveries and Backlog February 2012

FEB ORD	FEB DEL	FEB CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	80	76	4
			A319		
-0-	3	-0-	1,519	1,324	195
			A320		
-0-	26	-0-	5,665	2,910	2,755
			A321		
-0-	7	-0-	1,116	700	416
			A330		
-0-	8	-0-	1,189	854	335
			A340		
-0-	-0-	-0-	377	375	2
			A350		
6	-0-	-6	555	-0-	555
			A380		
-0-	3	-0-	253	71	182
This Month			This Year		BL
6	47	-6	91	84	4,444

Airbus sold 11,570 aircraft and delivered 7,126 as of February 29, 2012.

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

conducted flight demonstrations and were on static display at Latin America's most important air show. As part of the A380's 2012 World Tour, it stopped at Sao Paulo and Rio de Janeiro, Brazil, before it flew to Santiago and then dropped by Buenos Aires, Argentina, on the way home. **Airbus Military** showed off its 21st Century A400M airlifter to Latin American governments for the first time. The flight test aircraft flew to Lima, Peru, after the **FIDAE** show. It performed High Altitude testing in Cochabamba and La Paz, Bolivia, as well. **Airbus Military** said that Latin America is a strategic market for the A400M. The airlifter fills need for military as well as humanitarian aid and other civic missions that benefit society. The A400M is able to fly higher, faster and further while retaining high maneuverability, low speed and short, soft and rough airfield capabilities, **Airbus Military** said. **Airbus** has participated in **FIDAE** for nearly 30 years because it is the place to showcase the latest technology. The manufacturer forecasted that Latin American air traffic will triple in the next 20 years and that there is a market for more than 40 very large aircraft, like the A380, by 2030. The A380 can operate from most existing airports with little or no infrastructure modifications. The A380 currently flies to 30 airports around the world. Another 50 airports are being prepared to accommodate the A380.

Both Sides Declare Victory in WTO Dispute.

The **World Trade Organization (WTO) Appellate Body** ruled that the state governments of Washington, Kansas, and Illinois, and **National Aeronautics and Space Administration (NASA), Department of Defense (DOD), Department of Commerce, and Department of Labor**, gave **Boeing** subsidies of \$5.3 billion from 1989 through 2006. Further, the **Appellate Body** upheld findings that the payments and access to facilities, equipment, and employees provided under the eight **NASA** procurement contracts, and payments and access to facilities provided under the 23 **DOD** assistance instruments, conferred a benefit on **Boeing**. The **Appellate Body** also found that the subsidies and the state tax rate reductions caused, through their effects on **Boeing's** prices, serious prejudice in the form of significant lost sales with respect to the 100-200 seat market. The **Appellate Body** upheld the **WTO Panel's** finding of significant lost sales and significant price suppression in the 200-300 seat market.

Boeing's press release stated, "With respect to effects, the **Appellate Body** rejected 66 percent of the EU's claims that **Airbus** had lost sales as a result of U.S. subsidies and more than 93 percent of its

European Aerospace Giant, EADS, reported a 72 percent jump in fourth-quarter profit. The parent of **Airbus** said its quarterly profit of €612 million (\$803 million) beat market expectations due to strong sales of commercial jets and helicopters, as well as cost savings. Sales for 2011 rose 7 percent to €49.1 billion – €1.2 billion more than analyst's expectations. The full-years profit grew 87 percent to €1.03 billion, which included an 11 percent one-off gain. **EADS** forecasted 6 percent growth this year, but it faces the costs of repairing A380 wing cracks and the challenges of turning around the loss-making **Airbus Military** division. **EADS** CEO **Louis Gallois** warned that the company would see an "uncertain economic environment." It suffered several years of delays and cost overruns on the A350 and the A400M programs. This was offset by the sale of more than a thousand Airbus A320neo family aircraft. **Airbus** netted 1,419 new orders in 2011, worth \$140 billion and it delivered 534 aircraft. It intends to deliver 570 new jets this year. **Airbus** contributes two-thirds of **EADS** revenue. The European holding company has a joint French-German management and is based in the Netherlands. It has **Eurocopter** helicopters, **Astrium** satellites and **Cassidian** defense electronics businesses, and other divisions under its umbrella. Mr. **Gallois** will retire in May and be replaced by **Airbus** CEO **Tom Enders**.

claims that it had lost market share. **Boeing** has had to compete with an entire fleet of subsidized **Airbus** aircraft that the WTO found would most likely not even exist without illegal launch aid, while **Airbus** competes against a **Boeing** product line that received little support from the U.S. government according to today's ruling. In summary, the **WTO** decisions in the two cases establish conclusively and finally that European subsidies competitively disadvantage **Boeing** and American workers and will continue to do so until launch aid is eliminated. The **U.S. Government** has made it clear that it will use all of the **WTO** tools at its disposal to ensure that European governments comply with last year's ruling – particularly the ruling against \$15 billion in illegal launch aid, the pernicious subsidy unique to **Airbus**."

Airbus Forecasted that Airlines in India will need 1,020 new passenger and 23 freighter aircraft by 2030. The planes will be valued at \$145 billion, at list prices, and should satisfy India's surging air travel demand. India is the world's fourth largest market, both in value and number of new aircraft. Annual passenger traffic is growing at 7.2 percent, which is two-thirds higher than the world average of 4.8 percent. **Airbus** expects that 160 new aircraft will replace the eldest of the current fleet of 327 airplanes. The other 860 new deliveries will be used to grow the airlines' fleets. India's passenger fleet will triple to approximately 1,180 aircraft by 2030. The airlines will take delivery of 646 single aisle aircraft, 308 twin aisle widebodies, and 66 very large aircraft.

The **Airbus** press release claimed that the "illegal U.S. subsidies" to **Boeing**, worth "at least \$5.3 billion," resulted in an estimated loss of approximately \$45 billion in sales for **Airbus**. Further, **Airbus** said, "**Boeing's** cash grants are fundamentally illegal, while the system of loans to **Airbus** by European governments is legal and may continue. The **WTO Appellate Body's** report confirms the facts already available from the previous Panel Report. The effect of the subsidies is significantly larger than their face value in light of their "particularly pervasive" nature. These pervasive subsidies have thoroughly distorted competition within the aviation industry, directly resulting in significant harm to the European aerospace industry. **Boeing** would not have been able to launch the 787 without illegal subsidies."

Both sides claimed victory and vow to fight on. Each side has until December 2012 to comply with the **WTO** rulings and are threatened with "massive sanctions" if they do not stop "decades of illegal corporate welfare." **AVMARK** suggests that both sides negotiate mutually acceptable government aid to the respective manufacturers, because the two will have to face government subsidized aviation industries in Brazil, Canada, China, Japan and Russia. The last time we looked, each of those countries were running trade surpluses and their governments had plenty of revenue to back up the ambitions of their aircraft manufacturers.

Boeing Orders

Boeing Sold 237 New Jets in February, including 201 new 737-MAX-9s to **Lion Air**. The Indonesian low-cost carrier also finalized its firm order for 29 more Next Generation 737-900ERs. The order was announced in November, 2011, and it included purchase rights for 150 airplanes. **Lion Air** will be the first Asian airline to fly the 737 MAX and the first in the world to take delivery of the 737 MAX-9. **Boeing** said the 230 airplanes were list priced at \$22.4 billion, and that the deal was **Boeing's** largest commercial airplane order to date in terms of dollars and number of airplanes. The approximately 402 LEAP-1B and 58 CFM56-7B engines are valued at more than \$5.4 billion by **CFM**.

Boeing Delivered 33 737NGs, three 747s, three 767s, and seven 777s in February. It is of note that the company did not deliver any 787s during the month.

Air Astana, the Kazak flag carrier, signed a contract to purchase four 767-300ERs and three 787-8s in February. The seven planes are valued at \$1.3 billion at current list prices. The 767s will be delivered in 2013 and 2014, and the 787s will arrive in 2017 and 2019. The winglet equipped 767s will replace two 767-300ERs that are leased from **ILFC** and several of its five leased 757s. The airline also ordered four A320s, two A321s, and two EMBRAER 190s. It will take delivery of them this year. The airline is 51-percent owned by Kazakh's sovereign wealth fund **Samruk-Kazyna**, and 49 percent by **BAE Systems**.

China Southern Airlines announced that it will buy 10 777-300ERs, list priced at \$2.98 billion. The planes will be delivered between 2013 and 2016. The airline reported to the Hong Kong stock exchange that it negotiated price concessions with **Boeing**. The agreement requires **Chinese Government** approval and has not been posted to **Boeing's Orders & Deliveries Website**. The airline plans to expand its capacity on routes linking the Asia-Pacific region and China. **China Southern** is one of the country's top three carriers. A **Boeing** spokesman said the company was in "advanced discussions" with other Chinese airlines for another 20 777 sales.

Pakistan International Airlines announced it ordered five 777-300ERs, valued at nearly \$1.5 billion at list prices. The order includes purchase rights for five more 777-300ERs. The flag carrier is renewing its long-haul fleet to add capacity and introduce new routes. The airline currently operates five long haul 747-300s, three 777-200ERs, two 777-200LRs, and three 777-300ERs. It ordered the 777s in 2002. **Boeing** reported that 2011 was the best-selling year for the 777 program with net orders for 200 new aircraft, surpassing the previous record of 154 orders set in 2005.

Boeing Reported that **China Eastern Airlines** ordered 45 737s and cancelled 24 orders for 787 Dreamliners in late March. **Air New Zealand** bought two more 787s. Also the manufacturer lost two 737 orders.

Boeing February 2012 Orders, Deliveries

FEB ORD	FEB DEL	FEB CANX	TOTAL ORD	TOTAL DEL	BACK LOG
737					
230	33	-0-	9,745	7,071	2,674
747					
-0-	3	-0-	1,524	1,431	93
767					
4	3	-0-	1,090	1,019	71
777					
-0-	7	-2	1,361	995	366
787					
3	-0-	-0-	873	5	868
This Month			This Year		BL
237	46	-2	385	84	4,072

Boeing sold 22,123 aircraft and delivered 18,051 as of February 29, 2012.

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

Sales totals are net, minus cancellations.

China Southern Airlines will be the first Chinese airline to take delivery of a 787. The airplane is due this summer, and is the first of 10 orders to be filled. In March, **China Eastern Airlines** exchanged orders for 24 787-8s for 45 smaller 737NGs. The airline suffered from shrinking demand for long-haul international travel, as well as peevishness about delivery delays. **China Eastern** ordered 15 787-8s, and its subsidiary, **Shanghai Airways**, ordered nine 787-8s in 2005. Three Chinese airlines still have orders for 35 787 Dreamliners — **Air China** (15), **China Southern** (10) and **Hainan Airlines** (10). Mr. **Albaugh** does not expect many other Dreamliner cancellations, he said. “We see very few people right now that are talking about getting out of that airplane. If they are, it’s because of financial issues. It has nothing to do with the performance.”

Boeing Debuted Its 787 Dreamliner at the **FIDAE 2012 International Air and Space Fair** in Santiago, Chile, at the end of March. **LAN Airlines** is one of the leading airlines in Latin America and will be the first Latin American customer to take delivery of the 787, **Boeing** said. The airline ordered 26 787s.

Boeing Found Fuselage Flaws in one 787 Dreamliner. The manufacturer saw signs of “delamination” on a support structure in the rear fuselage. The laminated composite materials have started to separate due to repeated stresses. **Boeing** is examining all 55 787s that it has completed to date, to see if any more show similar signs of stress. The problem was blamed on incorrect “shimming,” which fills tiny gaps when aircraft are built. **James Albaugh**, chief executive officer of **Boeing Commercial Airplanes** said, “All the airplanes that were built up to plane 55 have the potential for the shimming issue.” The problem is “very fixable,” he told the press at **Singapore Airshow**. Analysts tend to doubt that the manufacturer can build 10 787s per month by the end of 2013, although the company stands by its forecast. Mr. **Albaugh** assured the public that, “We are in the process of fixing the airplanes that are in the [production] flow. There is no safety or flight issue on the airplanes that we have delivered.” So far, **Boeing** has delivered five Dreamliners to **ANA—All Nippon Airline**, and said they were operating normally.

Boeing Expects to Win About 200 737 MAX Orders in China this year. **Jim Albaugh**, **Boeing Commercial Aircraft** chief said, “We’re out talking to every single airline in China about the 737 MAX.” He expects to win several dozen 747-8 orders as well. He is optimistic in spite of the fact that the domestically built **Comac—(Commercial Aircraft Corp. of China)** C919 will enter service a year before the 737 MAX. “Comac is going to sell into their domestic market and they’ll probably also sell some of their planes around the world,” he said. “In the years to come, they’re going to be a tough competitor.” Mr. **Albaugh** expects the C919 to capture a third of the Chinese market while **Boeing** and **Airbus** will equally split the other 67 percent of the estimated 3,550 single-aisle aircraft orders. So far, **Comac** has signed 225 orders and commitments in China, while **Airbus** has not announced any A320neo orders from Chinese airlines. The 737 MAX program intends to win half of the estimated \$2 trillion world market in the next 20 years. **Boeing** has commitments for 10 747-8Is from **Hong Kong Airlines**. Some of the other 747-8 sales may come at the expense of the 787 program. **Hainan Airlines** said that it may swap some or all of its 10 787 orders for 747-8s. **Boeing** delivered the first passenger 747-8 to the **Qatar Government** for use as a VIP transport. The first 747-8I airliner was handed over to **Deutsche Lufthansa** in March. So far, the manufacturer has sold 106 747-8I airliners and -8F freighters. **Boeing** forecasted a market for as many as 1,000 very large aircraft over the next 20 years.

Boeing will decide whether to launch the 787-10 by the end of this year. The 787-10 is the stretched version of the 787-8 Dreamliner and would carry approximately 320 people. Currently, the largest Dreamliner, the 787-9 seats 280 passengers. The stretched 787 will compete with the mid-sized A350-900, which will be ready for service in 2015. **Boeing** and **Airbus** expect to sell several thousand mid-sized widebody aircraft over the next 20 years.

Bigger is Better. **Etihad Airways** and **Air Berlin** have purchased a total of 56 787 Dreamliners and the two partners plan to integrate their 787 programs. **Etihad** will lead the team which will jointly maintain the planes, train flight and ground crews, and purchase engines, rotables, avionics and inflight entertainment systems. The joint program should save millions of dollars for both carriers, through achieving economies of scale and avoiding duplication.

The U.S. Federal Aviation Administration (FAA) awarded an amended type certificate to **Boeing** for its **General Electric** GENx-1B-engined 787-8 Dreamliner in mid-March. The **FAA's** amended type certificate formally recognizes that the 787 with GE engines has demonstrated compliance with rigorous federal regulations. The achievement caps off the most robust flight and ground test program ever conducted in the company's history, **Boeing** said. The manufacturer delivered the first two GE engine-powered 787s to its launch customer, **Japan Airlines**, in late March. The 787 is available with both the baseline Block 4 engine and the PIP1 engine upgrade. **General Electric** and **Boeing** have received orders for 365 GENx-powered 787s, while 211 787s will be delivered with **Rolls-Royce** Trent engines. Customers have not specified the engine type for the remaining 294 787s.

Regional Report

RwandAir, Rwanda, ordered two CRJ900 NextGen regional jets and optioned two additional CRJ900s. The jets are list priced at approximately \$89 million (\$44.5 million each). If both options are taken up, the contract value would increase to \$185 million. **RwandAir** will become the first operator of CRJ900 in Eastern Africa. It already operates two 50-seat CRJ200s, but **RwandAir** said it needs aircraft with more capacity. The CRJ900s will seat 75 passengers in two-class configuration, and operate from Kigali to Johannesburg, Brazzaville, Libreville and Dubai. **Bombardier** has sold 1,717 CRJ Series aircraft (including 268 CRJ900 and CRJ900 NextGen aircraft), as of March 2012.

EuroLOT S.A., Poland, ordered eight Q400 NextGen airliners, and optioned another 12 Q400 NextGens. The firm order is list priced at nearly \$246 million (\$30.75 million each). If the options are confirmed, the order value will grow by \$379 million (\$25.26 million each). **EuroLOT** began operations on July 1, 1997 and now operates four ATR 42s and 10 ATR 72s on domestic and international routes. The new Q400s will be used to replace the ATRs and for route expansion. **Bombardier** said that 19 airlines have joined the Q400 aircraft family since 2008, and **EuroLOT** will be the first Polish operator.

Embraer Sold Four E-Jets to Estonian Air. Estonia's national carrier ordered three EMBRAER 175s and one EMBRAER 190. They will be delivered in the second semester of 2014. The airline contracted to lease four E170s and four E190s from third parties and leasing companies. **Estonian Air** selected Embraer's E-Jets to replace its entire fleet of narrow-body and regional jets. The airline leased the first of four E170s from **Finnair** this month. The E170s will seat 76 passengers, and the E175s will be delivered with 88 seats; the E190s will carry 112 passengers. All the E-Jets will fly from the airline's hub in Tallinn. **Estonian Air** was founded in December 1991, after Estonia seceded from the Soviet Union. The airline is owned by the **Estonian Government** and **SAS Group**. It currently operates one

737-300, three new CRJ900s, and two Saab 340s. The airline decided to standardize its fleet with the interchangeable E-Jet family of aircraft.

British Airways ordered one more EMBRAER 190 in late March. **British Airways'** wholly owned regional subsidiary, **BA CityFlyer**, will operate the E190 from **London City Airport** after it is delivered during the third quarter of 2012. The airline currently flies six 76-seat E170s, and seven 98-seat E190s.

Minsheng Financial Leasing (MSFL) ordered three ultra-large Lineage 1000 jets at the **2012 Singapore Airshow**. The Chinese leasing company took delivery of the first of 13 Legacy 650 aircraft that MSFL ordered in July 2011. **Minsheng** now offers the full range of **Embraer's** executive jets. The Legacy 650 is the only jet in its class offering three distinct cabin zones, and it offers spacious room for up to 14 passengers. The plane is equipped with fully berthable seats, a fully equipped wet galley, and an inflight-accessible baggage compartment. The **Rolls-Royce** AE 3007A2-powered Legacy 650 can carry four passengers up to 3,900 nautical miles (7,223 kilometers). It is based on the ERJ-135 and list priced at \$29.5 million.

Embraer Delivered 32 Commercial and 50 Executive Aircraft in the fourth quarter of 2011. It delivered the last two ERJ-145s to be built, and 99 E-Jet Family aircraft, as well as 16 large and 83 light executive jets in 2011. The company's fourth quarter revenues totaled \$2,025.1 million and it sold \$5,803 million worth of product in the full year. **Embraer** said, "The mix of products and revenues for the year, coupled with the company's ongoing focus on its programs directed towards improving productivity and efficiency, resulted in a gross margin of 22.5 percent for 2011, compared to 19.1 percent in 2010." The company's quarterly profit was suppressed by **AMR Corp.'s** Chapter 11 filing and the subsequent exposures from financial guarantees and residual value guarantee obligations. The company accounted for \$107.4 million under "Financial (expenses) Income Net," and the remaining \$253.3 million is accounted for under "Other Operating Income (expenses) Net," which impacted the company's operating margin. **AMR's** wholly owned subsidiary, **American Eagle** currently operates 216 ERJ-145 family aircraft. Embraer hired aircraft appraisers to determine the likely market value of the aircraft. Actual payments for residual value obligations will be based on the appraisals and are expected to occur over several years, depending on when **American Eagle** retires the airplanes. Embraer reported a net loss of \$91.8 million in the quarter, but it earned \$111.6 million net profit in 2011. The manufacturer ended the year with \$445.7 million in

Bombardier December 30, 2011 Orders & Deliveries

CRJ	Total Orders	Total Deliveries	Current Backlog
Challenger	33	33	-0-
CRJ1/2/440	1,021	1,021	-0-
CRJ700	340	331	9
CRJ900	266	256	10
CRJ1000	49	20	29
Total	1,709	1,661	48
CSeries	Total Orders	Total Deliveries	Current Backlog
CS100	61	-0-	61
CS200	72	-0-	72
Total	133	-0-	133
Dash 8	Total Orders	Total Deliveries	Current Backlog
Q1/2/300	671	671	-0-
Q400	413	389	24
Total	1,084	1,060	24

Bombardier delivered 5 CRJs and 6 Dash 8s this quarter.

cash. The E-Jets family passed several milestones in 2011, more than 1,000 orders and 800 deliveries. In the fourth quarter, **Embraer** sold 45 E-Jets, raising the company's firm order backlog to \$15.4 billion.

Viking Air Sold Twin Otter Series 400s to operators in Papua New Guinea, Turkey, Nigeria, Chile, Tahiti, and Panama, by February. The manufacturer has sold a total of 15 of the latest generation of the venerable DHC-6 Twin Otter. **Seabird Airlines** of Istanbul, Turkey, ordered six floats equipped Twin Otter Series 400 for water-based commercial operations. The first aircraft will be delivered in 2014. **Caverton Helicopters** of Lagos, Nigeria, ordered one Series 400 for delivery this year. The company currently operates two legacy Twin Otters on passenger services. One unnamed customer signed a \$28 million deal (at list price) for four new aircraft, which will be operated in Chile and Peru. The manufacturer sold one float-equipped Series 400 to an undisclosed VIP customer in Panama, and one wheel-equipped Series 400 Twin Otter to an undisclosed VIP customer in Tahiti. **Viking's** Vice President Business Development, **Robert Mauracher** said, "The growing list of international customers is market validation and approval for the new Twin Otter Series 400. The aircraft's popularity with our new customers is due to its operational versatility, quick change interior and internal passenger to cargo flexibility." The Series 400 features many modifications that improve safety and increase performance over the Series 300 Twin Otter, the most notable of which is the integration of the **Honeywell Primus Apex** avionics suite. Other changes include upgraded **Pratt & Whitney** PT6A-34 engines, use of composite materials, light weight interior, simplified electrical and LED lighting systems, as well as value added options such as de-ice and air-conditioning, **Viking** said. The company has a production backlog estimated at over \$350 million.

Embraer December 31, 2011

Orders & Deliveries

Type	Total Orders	Total Options	Total Deliveries	Current Backlog
ERJ145	890	-0-	890	-0-
E170	188	22	182	6
E175	189	290	143	46
E190	551	355	389	162
E195	123	28	88	35
Total	1,941	695	1,692	249

Type	4th Quarter Deliveries	2011 Deliveries
Large Exec. Jets	10	16
ERJ 145	-0-	2
Embraer 170	-0-	1
Embraer 175	7	10
Embraer 190	18	68
Embraer 195	7	24
Total	42	121

Embraer announced that its production rates will remain stable through 2012.

Order Changes and Cancellations

Airbus Order Shuffle. **Air Berlin** announced previously undisclosed orders for one A320 and one A321 in February. The airline has ordered and taken delivery of 50 A320s and five A321s. **ALAFCO** cancelled one A320 and six of its 18 A350-900 orders when it announced its latest order for 35 A320neo aircraft. **ICBC—Industrial Bank of China** switched three A320 orders to the A321 type. The lessor now has ordered 39 A320s and three A321s. **Jazerra Airways** transferred one of its 14 A320 orders to **Al Sahaab Aircraft Leasing**, and then leased the airplane back when it was delivered.

Hong Kong Airlines threatened to cancel its order for 10 Airbus A380s with a list value of \$3.8 billion in protest to the **European Union's Emissions Trading Scheme (ETS)**. The **ETS** makes airlines pay for their carbon emissions emitted from flights to and from Europe. The Hong Kong-based airline is 46 percent owned by **Hainan Airlines**, China's fourth-largest carrier. **Airbus** said China had blocked the purchase of 45 long-haul A330s and the 10 A380 worth a total of \$14 billion. Neither the Chinese airlines, nor **Airbus** would comment further on the possible cancellation. China forbade its airlines from participating in the EU's **ETS** unless they were given approval. Further, China said it would not buy **Airbus** aircraft because of the **ETS**, but a government spokesman stated that it was not pressuring the airlines. The **ETS** is also opposed by the governments of India and the U.S. They claim the **ETS** circumvents their national sovereignty. Foreign governments say the EU should charge only for the part of the international flights that use European airspace. The EU said they will modify their law only if **International Civil Aviation Organization ICAO** finds a global solution to the growing problem of aircraft carbon emissions. The European Union said the carbon cost per passenger would range between €2 and €12, amounts that could easily be passed on to customers. The scheme is needed to reduce rising carbon emissions and help fight climate change on a worldwide basis. A global deal will probably falter because the developing countries will want special dispensation from the rules, leaving the developed world to pay the bills. The EU was hoping to spark serious discussion about climate change, but seems to have started a trade war. China's retaliation has affected only long-range **Airbus** widebody aircraft and not the short-haul A320 family jets that are assembled in China for domestic consumption. The A380 order is firm and the airline may lose its 5 percent deposit if it is cancelled, while the A330 deals are covered by memorandum of understanding and have not been approved by the Chinese government, nor have signed contracts been officially announced by **Airbus**. **Boeing** may take short term advantage of the dispute. A spokesman for the company said it sold 10 777s to **China Southern Airlines**, and that it was in "advanced discussions" for another 20 777s with other airlines.

Engine News

CFM Sales At The 2012 Singapore Airshow, **CFM International** announced that **BOC Aviation** signed an order for 20 LEAP-1C-powered C919s from **Commercial Aircraft Corporation of China (COMAC)**. The lessor is the 11th customer for the C919 and the order brings the total backlog to 235 aircraft. **BOC Aviation** has a portfolio of 180 aircraft and another 69 on firm order. The LEAP-1C is the exclusive powerplant for the new 150-passenger COMAC C919. The engine development is progressing on schedule and the engine is on track for entry into service in 2016 on the A320neo and C919 and in 2017 on the Boeing 737 MAX. **Aviation Lease And Finance**

Pratt & Whitney Sales at the 2012 Singapore Airshow. **TransAsia Airways** selected the PurePower PW1100G-JM engine for the six A321neo aircraft it ordered and six that are on option. The deal includes a 10-year **PureSolution** maintenance service agreement for 27 engines, including spare and option engines. Deliveries are scheduled to start in 2017. Taiwan's oldest private airline also chose **International Aero Engines (IAE)** V2500 engines to power its six standard A321 aircraft that it ordered in June, 2011. **Sichuan Airlines** selected V2500 engines for the latest eight A320 Family aircraft that it ordered. The contract includes a long-term aftermarket services agreement. The airplanes will be delivered from January 2014 through 2015. **IAE** has provided engines for 85 **Sichuan** A320 Family aircraft that are in service and on order. **ICBC Financial Leasing Co.** chose V2500s for 15 of the 42 new A320s that it ordered in August, 2011. Deliveries will start in January 2013 and continue into 2015. The lessor was established in 2007, and currently owns more than 60 airplanes.

Company (ALAFCO), Kuwait, selected the LEAP-1A engines to power the 35 new A320neo aircraft that it ordered in December 2011. The planes are scheduled for delivery between 2019 and 2021. The firm engine order is valued at approximately \$840 million at list prices. **Lion Air**, Indonesia, finalized its order for 201 LEAP-1B-powered 737 MAX 9 aircraft and 29 CFM56-7B-powered Next-Generation 737-900ER aircraft in February. The order for 402 LEAP-1B engines was valued at approximately \$4.8 billion at list price, and the 58 CFM56-7B engines are valued at \$580 million at list prices.

Leasing Companies

AWAS signed a formal agreement with **Airbus** to be one of the first lessors to offer factory-build Sharklet-equipped A320 Family aircraft to its customer airlines. The advanced end-of-wing Sharklet system has been developed by **Airbus** to save airlines up to \$270,000 worth of fuel per aircraft each year **AWAS** said. The Sharklet-A320s offer several higher performance and lower maintenance benefits, and they can also save over 730 tons less CO2 emissions annually per aircraft.

The Rolls-Royce Trent XWB Engine flew for the first time in February. It is installed on **Airbus'** A380 test aircraft on one of the planes four pylons. The Trent XWB will power the new A350 XWB and will be the exclusive engine for the longer range A350-1000. **Rolls-Royce** said the Trent XWB was the fastest-selling Trent engine ever and more than 1,100 have been sold. The Trent XWB ran on a ground test bed for the first time in June 2010 and test results have shown it to be the most efficient large civil aerospace engine ever produced, **Rolls** claimed. The test flight program will amass around 175 flight hours over a seven month period. The tests should validate results from ground testing and demonstrate the engine's in-flight performance. The Trent XWB has successfully completed more than 1,500 hours of testing, including endurance running, icing and simulated altitude.

Air Lease Corporation (ALC) reported its fourth consecutive quarter of profitability and growth. Its revenues increased by 25 percent to \$115.1 million in the fourth quarter, and the pretax income increased 37 percent to \$38.7 million compared to the third quarter of 2011. Net income increased 36 percent to \$24.8 million from the previous quarter and its pretax profit margin increased to 33.6 percent, up by 2.8 percent from the third quarter. Adjusted net income increased 26 percent to \$31.7 million and the quarterly cash from operations increased 22 percent to \$101.0 million, compared to the third quarter of 2011. **ALC** added 23 aircraft to its fleet in the quarter and now has 102 airplanes in inventory. The lessor signed lease transactions covering 34 aircraft with four customers in the fourth quarter.

International Lease Finance Corp. (ILFC) agreed to lease another two new Boeing 787-8 Dreamliners to **Grupo Aeromexico**. The flag carrier will now lease five 787s from **ILFC**. The GENx engined-aircraft will be delivered in the first half of 2014.

Nimrod Capital and Doric Asset Finance listed **Doric Nimrod Air Two Limited (DNA2)** on the **London Stock Exchange** and sold another £200 million of C shares to purchase four A380s. The A380s will be leased to **Emirates Airlines**. The Gulf carrier leased three A380s from **DNA2** last year. The airplanes are leased for 12 year terms. The airline is responsible for insurance and all other service, maintenance and repair costs.

Airline News

International Air Transport Association (IATA) Posts March Jet Fuel Prices. The organization updates its global average jet fuel price each week. On March 6, the average price of fuel was \$3.32 per gallon. Prices headed upward again, rising by 4.3 percent in the month. **IATA** said fuel prices are 5.4 percent higher than they were in March, 2011. The global airline industry will pay \$132.7 billion for fuel in 2012. **IATA** said that every \$1 increase in the price of a barrel of oil adds \$1.6 billion in costs to airlines. The fuel price rise will cost airlines an additional \$37 billion this year.

The International Air Transport Association (IATA) lowered the forecast airline industry profit by \$500 million due to rising oil prices. **IATA** now expects the world's airlines to turn a global profit of \$3.0 billion in 2012 at a razor thin 0.5 percent profit margin. In December the association predicted airlines would earn \$3.5 billion. Over the past three months, the expected average price of oil rose to \$115 per barrel, while the previously forecast price was \$99. Fortunately, the downgrade was not worse, because the Eurozone crisis has not worsened, the U.S. economy is improving, the cargo market has stabilized, and passenger and cargo capacity have not grown very quickly. **IATA** warned that airline performance is closely tied to global GDP growth. Historically, when GDP growth drops below 2.0 percent, the global airline industry starts to lose money. GDP is now projected to grow at 2.0 percent as quoted and the profit margin is a miniscule 0.5 percent. It will not take much of a shock to push the industry into the red for 2012. **IATA** expects 2011's profits to reach \$7.9 billion, due to the much better than expected profits by Chinese airlines. The previous forecast was \$6.9 billion.

Low-Cost Carriers Expand. Tiger Airways purchased 33 percent of troubled Indonesian carrier **PT Mandala Airlines**, in January. **Mandala** reactivated its operating license and the two airlines will start a joint venture in April. It leased two A320s from **Tiger Airways**, and the low-cost carrier will add eight more new A320s by March 2013. The first two A320s will be returned next year leaving **Mandala** with eight jets in its fleet. **Tiger** is 33 percent owned by **Singapore Airlines** and wanted to enter one of the world's fastest-growing air transport markets. **Tiger's** operations are split between Singapore and Australia, and it has 34 A320s in its fleet. It will raise its fleet size to 68 planes by December 2015. **Mandala** will fly from its base in Jakarta to serve domestic and international destinations. The airline will compete with **Garuda Indonesia's** subsidiary **Citilink**, and **Lion Air**, which has approximately 59 737s in service and another 359 737s on order. The airlines will be tough competitors. **Mandala's** management said the airline will offer low fares to fill its planes over the next year rather than try to squeeze higher yields from its customers. This seems like a recipe for replicating the problems in India, where five of six airlines are losing money.

IATA now forecasts that oil prices in 2012 will average \$120 per barrel. At that price, fuel will account for 34 percent of the industry's average operating costs. The industry's total fuel bill will rise to \$213 billion. Political tensions in the Gulf region increase the risk of significantly higher oil prices, **IATA** said, and a war in the Gulf will quickly push the industry into \$5.0 billion in losses. Airlines have restrained their passenger and cargo capacity growth to 3.2 percent in 2012, while demand is expected to grow by 3.6 percent. Both passenger load factors and aircraft utilization have returned to or above pre-recession levels. Average passenger load factor rose to 76.6 percent at the beginning of this year, up two points from the pre-recession levels. Passenger aircraft utilization is near the pre-recession peak utilization rates. Freight load factors in January were 6 percent lower than the 2010 peak and average hours flown by freighter aircraft were down 11 percent. Passenger demand is expected to grow by 4.2

percent. This is due to greater consumer confidence in the US and more business traffic in the Asia-Pacific region. Yields were forecast to be stable in 2012 for both passenger and cargo, as a 2.0 percent improvement in yield will offset higher fuel costs. The cargo markets have hit bottom and are rising—slowly. **IATA** expects a moderate upturn in air cargo during the second half of the year.

Air Berlin became part of **oneworld** on March 20. The Austrian member of the **Air Berlin** group, **NIKI**, joined as an affiliate member. The global airline alliance now includes Germany's second largest airline and the sixth largest airline in Europe. Both airlines now offer **oneworld's** services and benefits, while expanding the alliance's network in Germany, Austria, and in Central and Southern Europe.

Qantas' subsidiary **Jetstar** and **China Eastern Airlines** are setting up a joint-venture, low-cost carrier in Hong Kong. **Jetstar** already operates in Australia and New Zealand and is part of joint-venture low-cost airlines in Singapore, Japan and Vietnam. Over the next three years, **China Eastern** and **Qantas** will invest up to \$198 million in the new airline. **Jetstar Hong Kong** will start operations in mid-2013 with three A320. By 2015, it will add another 15 A320s. **Jetstar** and its affiliates have a total of 70 A320 Family aircraft in their fleets and **Qantas** has another 148 A320s on order. **Jetstar** and its joint-venture airlines operate approximately 3,000 flights to 60 destinations in the Asia/Pacific region each week. It plans to carry more than 20 million people in fiscal 2012. **Jetstar Hong Kong** would attract passengers from Hong Kong (40 million passengers a year) and greater China (450 million passengers per year by 2015).

International Airline Group (IAG) Closer to BMI Deal. The group offered to give up 14 daily slots at **Heathrow Airport** and to carry connecting passengers to feed its rivals' long-

International Air Transport Association January International Traffic Growth.

Jan 2012 vs. Jan 2010	RPK Growth	ASK Growth	Pax Load Factor	FTK Growth	AFTK Growth
Africa	-3.6%	-0.8%	64.8%	-3.7%	-1.7%
Asia/Pacific	6.0%	6.4%	77.5%	-14.0%	3.8%
Europe	5.3%	2.7%	75.7%	-9.6%	-2.3%
Latin America	7.9%	7.4%	79.9%	2.2%	5.4%
Middle East	14.5%	10.6%	78.5%	9.4%	10.0%
North America	-0.3%	-0.9%	77.6%	-4.0%	-0.3%
Industry	5.5%	4.2%	76.6%	-8.1%	-0.6%
Year to Date 2011 vs. 2010	RPK Growth	ASK Growth	Load Factor	FTK Growth	AFTK Growth
Africa	2.1%	4.8%	66.9%	-1.5%	3.4%
Asia/Pacific	4.0%	6.3%	75.9%	-4.7%	0.6%
Europe	9.5%	10.2%	78.9%	1.5%	6.4%
Latin America	10.2%	9.2%	77.2%	5.5%	5.6%
Middle East	8.9%	9.5%	75.5%	8.3%	14.3%
North America	4.0%	6.0%	80.7%	1.5%	6.8%
Industry	6.9%	8.2%	77.4%	-0.5%	5.2%

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

haul flights in order to win the **European Commission's** antitrust regulator's approval of its purchase of **bmi** from **Lufthansa**. The deal is worth £172.5 million (\$273 million). **European Competition** said in a statement that they were satisfied that the competitive dynamics will be maintained so as to ensure choice and quality of air services. Rival **Virgin Atlantic** urged that the anti-trust regulators to veto the deal, because it would reduce competition and push up prices. **IAG** already controls 43.1 percent of **Heathrow Airport's** runway slots and its share will increase to 52 percent if it buys **bmi**.

Deutsche Lufthansa's sale of **BMI Regional** may fail because the buyer can not raise money. **BMI Regional** is a short-haul carrier that flies in the U.K. and Europe. It and the regional **BMibaby** are considered to be liabilities to **Lufthansa**. **IAG** offered a "significant price reduction" if it has to take them when it buys **bmi**. **Lufthansa** said it is in advanced discussions with potential bidders for **BMibaby**, but did not disclose the names.

Deutsche Lufthansa will add €140 million (\$183 million) to its equity in **Austrian Airlines**, and it will lease them seven A320s. The payment should alleviate **Austrian's** critical financial situation. The German flag carrier expects contributions from local works councils and trade unions, as well as market-oriented, competitive employment conditions, the management said. **Lufthansa** will offer 11 of its 55 737 Classics for sale.

Philippine Airlines' Owner Lucio Tan is considering selling 49 percent of the airline to **San Miguel Corp.**, the Philippines' largest company. Mr. **Tan** would retain 51 percent but would relinquish control to the airline to **San Miguel**. The airline is valued at \$1 billion, so Mr. **Tan** may pocket \$500 million from the sale. The airline lost \$33.5 million in the last quarter and its management cut 2,400 jobs in 2011 because it was losing market share to low-cost carrier **Cebu Air**. **San Miguel's** President **Ramon Ang** said he wants his company to double its sales by 2016, by diversifying away from food and brewing. **San Miguel** controls more than 90 percent of the Philippine beer market, so there is not much room for growth there. It plans to invest more than \$4 billion into energy, telecommunications and transportation industries. The airline business has the potential for growth now that the country is focused on boosting tourism. Local analysts think **Philippines** can add bigger airplanes, and perhaps, become a regional powerhouse. It will have a long way to go, against tough competition. It faces a very successful upstart **Cebu Air** and a new entrant backed by **AirAsia** in the domestic market; also some extremely strong international airlines in the Pacific Region.

Aer Lingus For Sale? The **Irish Government** is considering selling its 25 percent stake in **Aer Lingus**. The **European Union** and **International Monetary Fund** require that the government divest its airline shares and **JetBlue** said it is interested in buying. **Aer Lingus'** management prefers **JetBlue** as an investor because they do not compete on any routes and the airlines have operated a sales alliance since 2008. The 25 percent share in **Aer Lingus** is valued at about €115 million (\$150 million).

United Continental will receive the first of 60 787 Dreamliners this year. The airline will finance the purchase of four 787s and 14 737NGs with \$892 million in bonds. **United** will refinance three 737s that are in service. The bonds carry record-low blended interest rates of 4.38 percent and **Credit Suisse** and **Morgan Stanley** are lead financiers. The low cost of finance shows investor confidence in the 787 and in the airline. It is also the first time an airline has funded 787s through the capital markets instead

of bank loans. **Continental Airlines** will technically own the airplanes, but they will be operated under the **United** name.

Century Tokyo Leasing will buy half of **Mitsubishi's** 33.4 percent share of the start-up budget airline **Jetstar Japan**. The lessor is a unit of **Itochu** and it is buying into the airline to expand its aircraft leasing operations. **Japan Airlines** and **Qantas** each own 33.3 percent of the low-fare carrier. **Jetstar Japan** plans to launch operations on July 3, 2012, with three new A320s, sourced from **Qantas**. The airline will fly to Osaka, Sapporo, Fukuoka, and Okinawa from its base at Tokyo's **Narita Airport**. It plans to add 21 more A320s in the next few years and will compete against **AirAsia Japan** and **Peach Aviation**.

Jet Airways merged its low-cost subsidiary **JetLite** into its other no-frills brand **JetKonnnect** on March 25. **JetLite** was created after the takeover of **Air Sahara** in April 2007. It operated 19 737NGs on 123 flights a day to 31 Indian cities and Katmandu, Nepal. **JetKonnnect** was launched in May 2009 and operates a mixed fleet of 737-800s and ATR 72s. Full service **Jet Airways** and **JetKonnnect** will continue as distinct business entities operating under their own airline operating permits, and the latter will be a dedicated low-fare airline.

Bankruptcy of the Month

Kingfisher Airlines Death Spiral? The ailing Indian carrier "temporarily" suspended operations to several destinations and asked some of its employees to "stay at home." As of March 26, the airline cut its summer flight schedule to 120 daily flights and its fleet to 10 ATRs and 10 A320s. Last September, the airline operated 370 flights per day with 64 jet and turboprop planes. The airline will cancel all of its international services on April 10. **Kingfisher** issued a statement that said, "We are in a 'holding' pattern right now and are waiting for various decisions from the government and our consortium of bankers on FDI [foreign direct investment] policy, working capital funding, etc. All of these will have a major impact on the staffing decisions we will have to make." The **Indian Government** plans to let foreign investors buy up to 49 percent in Indian carriers, but has not granted approval yet. **Kingfisher** said it was in talks with potential investors; which the press identified as **International Airlines Group** and **Etihad Airways**. Indian bankers told the press that they had provided \$1.3 billion in loans, which

The **Federal Aviation Administration** issued **Southwest Airlines** a single operating certificate that covers the merger with **AirTran Airways**, which **Southwest** bought last year. The certificate is the foundation for the two airlines to fly under the **Southwest** brand. It will take several years to complete the integration of the **AirTran** fleet into **Southwest's** fleet, including repainting the planes and re-configuring the interiors and creating a single ticketing system. **Southwest** will also retrain **AirTran's** flight and cabin crews to **Southwest's** standards. **Southwest COO Mike Van de Ven** said that employees and customers will see little or no immediate difference in the two airlines' flight operations, and that the integration will proceed in a coordinated and thoughtful manner.

Southwest Airlines applied for landing slots at **Washington National Airport** so that it can offer nonstop service to **Austin-Bergstrom International Airport**. The airline also proposes one-stop, same-plane service between National and San Diego via Austin. The airline is now entering congested eastern airports where **Southwest's** quick-turn-around operational plan does not work well. This will reduce aircraft utilization and raise costs. Apparently, **Southwest** thinks the yield will be worth the cost.

are secured by a combination of **Kingfisher** shares (at an all time low of 19 rupees), the airline's brand and Mumbai real estate assets; also guarantees by the airline's parent, the **United Breweries** group, and from the group's owner **Vijay Mallya**. India does not have well defined bankruptcy laws and so the billionaire beer baron Mr. **Mallya** may see his financial empire effervesce away like the gas bubbles in an open bottle of **Kingfisher** beer. The airline suffers from a heavy debt load, rising jet fuel costs, cut-throat competition with low fares. It is liable for prosecution over 3 billion rupees (\$61 million) of unpaid taxes and owes for airport fees as well. The tax authorities froze some of **Kingfisher's** bank accounts. The airline needs at least \$500 million to keep flying, having lost 4.4 billion rupees (\$89.6 million) in the previous quarter. It is in good company though, because five of six major carriers (except **IndiGo**) will lose from \$2.5 billion to \$3 billion in the last fiscal year. **Kingfisher** is also bleeding flight crews. The press reports that up to 350 pilots and several hundred other staff have quit the airline in the last half year. The employees that remain are angry because of delayed salaries. The government's **Directorate General of Civil Aviation (DGCA)** considered pulling the airline's operating license, but said that **Kingfisher** had 10 percent of India's traffic and they feared a sudden increase in fares. A **DGCA** team is checking the airline's maintenance practices to insure the aircraft are safe. The **International Air Transport Association (IATA)** suspended the airline from three fare settlement systems in March due to non-payment of fees. This impacts **Kingfisher's** ability to deal with global airlines and travel agents. The airline is losing its planes because lessors are repossessing them, while the owned aircraft are collateral for the many loans.

Will Vijay Mallya Sell Brewery to Save Kingfisher?—An AVMARK Commentary.

In late March, the European and Indian press reported that the brewing tycoon may sell off all or part of his 19 percent share in **United Breweries** to Dutch brewer **Heineken**. Mr. **Mallya** would use the money to save **Kingfisher Airlines**. The Dutch company already holds a 37.38 percent stake in **UB**. If it bought another 13 percent, worth approximately \$370 million, **Heineken** would control the largest brewer in a country where beer drinking is expected to take off, which is something that **Kingfisher** is not about to do. **UB** controls around half the fast-growing Indian beer market. On average, Indians drink less than one liter per person per year, while Europeans consume nearly 60 liters per year. **AVMARK's** question is why sacrifice a profitable, dominant and growing business to rescue a financial black hole that controlled only 20 percent of a cut-throat competitive market where almost no player is profitable. Mr. **Mallya** would make more money selling his beer to rival airlines to serve in their cabins, than he will ever make from the Indian airline. **Kingfisher** proves again the oft repeated wisdom that the only way to make a small fortune in the airline business is to start with a large one. To date, neither **UB**, nor **Heineken** commented on the possible sale. One can hope that Mr. **Mallya** will come to his senses before he signs on the dotted line.

Pemco World Air Services, a Tampa, Florida-based MRO and conversion center, filed for Chapter 11 Bankruptcy in early March. The company is indirectly held by the **Sun Capital Partners** private-equity firm, and it listed assets of \$50 million and debts of \$100 million. **Pemco's** Chief Financial Officer **Benjamin B. Ward** said the company intends "to sell their viable aircraft maintenance and conversion business, [and] complete a prompt and orderly liquidation of substantially all of their remaining U.S.-based assets." In the mean time, **Pemco** intends to borrow up to \$37.8 million in debtor-in-possession (DIP) financing from **Avion Services Holdings LLC**, a **Sun Capital** affiliate, to help fund operations. The MRO already owes \$31.8 million to **Avion**. **Pemco** employs 877 people at its three facilities. It has

converted more than 300 aircraft of 26 different models into freighters, but it has few, if any, conversions in the pipeline. The company expects to emerge from bankruptcy within the next 90 days.

REDjet, Barbados, grounded its fleet of three MD-80s on March 16. The airline stated, "We have seen other [state-supported] carriers drastically cut their fares in an effort to shut down **REDjet** and return to high fares and business as usual with no regard to the negative impact on travelers. Unlike us, they do not have to be profitable to stay in business." **REDjet** started operations in May 2011 and flew between Barbados and five Caribbean destinations. The airline hopes to restart operations if it can get government assistance.

Direct Air filed for Chapter 11 bankruptcy protection on March 16. The airline wet-leased three 737-400s and two MD-83s and flew charters from its base in Myrtle Beach, South Carolina. The company announced that it intends to restart operations by May 15.

United Parcel Service—UPS agreed to buy **TNT Express N.V.** for €5.16 billion (\$6.77 billion) in an all-cash deal. **UPS** will pay a 54 percent premium over **TNT Express'** share price. **UPS** said the two companies will be "a global leader in the logistics industry" with over €45 billion in annual revenues. **TNT Express** has a fleet of 64 aircraft while **UPS** operates 220. The two companies will combine their logistics networks, which should save €400 million to €550 million by the end of 2016. The international express and cargo delivery services company, **TNT Express**, is based in Hoofddorp, Netherlands. It operates in 65 countries, and serves another 135 countries, with 77,000 employees and 30,000 road vehicles. Its revenues for 2011 were more than €7.2 billion. The company was formerly owned by **TNT N.V.**, which is now called **PostNL**.



Cargo Pallet

WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

Qatar Airways is backing **Airbus'** A330 cargo-conversion program. The airline's CEO **Akbar Al Baker** said the two sides were in talks about a potential deal to convert up to 20 of its A330 passenger jets into freighters. The airline currently operates 16 A330-200s and 13 A330-300s. It wants the A330P2Fs to enter service by 2016. **Qatar** is the largest customer for the A350, with orders for 20 -800s, 40 -900s and 20 -1000s. It will begin to retire its A330s when the first A350-900s arrive in 2014.

Military Market

Australia Will Buy a Sixth Boeing C-17A Globemaster III military transport plane worth A\$280 million (\$297 million), the Australian defense minister said. The new C-17A will be delivered early in 2013. The **Royal Australian Air Force's** C-17s operate domestic and international humanitarian missions and support Australian operations in Afghanistan and in the Pacific region.

The UK Ministry of Defense ordered its eighth C-17A Globemaster III in March. The airplane is due for delivery to the **Royal Air Force** later this year. The **RAF** found that it was using its C-17 fleet at 15 percent more flight hours than it originally planned, hence the need for more capacity. **Boeing** has delivered 216 C-17s to the **U.S. Air Force**, and a total of 25 C-17s to Australia, Canada, Qatar, United Arab Emirates, United Kingdom and the 12-member Strategic Airlift Capability initiative of NATO and Partnership for Peace nations. India has 10 C-17s on order for delivery in 2013 and 2014.

The Kazakhstan Air Force ordered two **EADS-CASA C-212 Aviocars**, and optioned six more. They will be delivered from 2013 to 2018, if all options are taken up.

The U.S. Air Force Grounded the Airborne Laser—ABL 747 at Davis Monthan Air Force Base. The 747-400F had a high-energy chemical laser mounted on its nose. It was used for a laser-based anti-missile defense system research program that began in 1996, and was based at **Edwards Air Force Base**. The **ABL** was one of several missile defense programs that were part of President **Ronald Reagan's 1983 Strategic Defense Initiative**, also known as "Star Wars." The **Missile Defense Agency** said the **ABL** shot down one missile in February 2010 but was not able to duplicate the success, due to a software problem. The program was deemed an expensive failure and its budget was cut. Defense Secretary **Robert Gates** said the laser wasn't powerful enough to knock out missiles unless the airplane was flying near the launch site in enemy air space, where it would be vulnerable to enemy anti-aircraft defenses. Had the program become operational, it would have required 20 aircraft costing around \$30 billion (\$1.5 billion each).

The Chilean Government purchased three ex-**U.S. Air Force KC-135E Stratotankers** through the **U.S. Air Force Foreign Military Sales Office** in July 2009. The three tanker-transporters were put through **Programmed Depot Maintenance** at San Antonio, Texas. The first was delivered to the **Chilean Air Force** in February, 2010, and the KC-135 was used for humanitarian missions after an 8.8-magnitude earthquake hit Chile. The second aircraft was handed over in August, 2011, and the third was flown to Santiago, Chile, in late March. The KC-135Es are nearly 50 years old.



AIRCRAFT DELIVERIES & SALES

Jet Aircraft

WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

A318 & A319. **Airbus** delivered three A319s in February. The **Royal Flight of Oman** received ACJ319-133 (SN 4992). **China United Airlines** leased -132 (SN 5023) from **CASCG** and **Germanwings** received -132 (SN 5043). **Atlantic Airways**, the flag carrier of the Faeroe Islands, took delivery of its sole A319 on March. The plane is equipped with CFM engines and has 144 seats.

Cyprus Airways intends to sell two A319s to **GECAS Asset Management Services** for a total of \$30.5 million. This should help the airline offset its 2011 pretax loss of €18.8 million (\$24.6 million), which was much higher than its €3 million loss in 2010. **Doric Asset Finance** leased two A319-112s (SN 3853 & 3872) to **Syphax Airlines**, Tunisia, in March. The planes were operated by **Air Berlin** until June 2011, and underwent maintenance checks and repainting before being handed over to **Syphax**. **Doric** acted as a Remarketing Agent for two German Funds from the Hamburg-based investment house **Woelbern Invest**.

A320. **Airbus** delivered 26 A320s in February, including two -214s (SN 5019 & 5020) to **easyJet**. **IndiGo** accepted two -232s (SN 5027 & 5026). It sold them to **AWAS** and leased them back. The airline will sell and leaseback a third plane this year. **BOC Aviation** leased two -232s (SN 5024 & 5030) to **DragonAir**, and -232 (SN 5011) to **South African Airways**. **Air Lease Corp.** leased two -214s (SN 5001 & 5026) to **S7 Airlines**. **China Eastern Airlines** took delivery of -214 (SN 4857) and leased -214

(SN 5048) from **Aviation Capital Group (ACG)**. **ACG** leased -214 (SN 5004) to **Virgin America**. **GECAS** leased -214 (SN 5012) to **AirPhil Express/Philippines Airlines**, and the third of 10 -214s (SN 5015) to **Peach Aviation**. In Asia/Pacific region, **Shenzhen Airlines** took delivery of two -232s (SN 4866 & 5002) and **Hainan Airlines** leased -232 (SN 5006) to **Tainjin Airlines**. In Europe, **Airbus** delivered -214 (SN 4988) to **Air Berlin**, -232 (SN 5021) to **Wizz Air**, -214 (SN 5037) to **Swiss International Air Lines**, and -214 (SN 5003) to **Niki**. **Niki** sold the plane to **Chendu Airlines**. In the Middle East, **Al Sahaab Aircraft Leasing** leased -214 (SN 5033) to **Jazerra Airways**, **Air Arabia** received -214 (SN 5017) and **Qatar Airways** accepted -232 (SN 5010). In the United States, **Spirit Airlines** took delivery of -232 (SN 5029).

A321. **Airbus** delivered seven A321s in February, including two 231s (SN 5028 & 5049) to **Lufthansa**. The airline now operates 59 A321s. **Saudi Arabian Airlines** took delivery of -211 (SN 5065), **Air Berlin** received -211 (SN 5038), and **Aeroflot** accepted -211 (SN 5044). **RBS** leased -231 (SN 5035) to **Asiana Airlines**. **Air China** received -232 (SN 5054).

Airbus delivered the 80th Tainjin, China-assembled A320 Family to **Air China** in March. The flag carrier now operates 88 A320 Family aircraft. The new A320 is equipped with **CFM International** CFM56-5B engines and a business and economy seat configuration. **Airbus** and **China Aviation Industry Corporation (AVIC)** opened the Tainjin plant in 2008.

AWAS leased another -214 to **Virgin America** in March. This is the sixth A320 family aircraft that **Virgin America** leased from the lessor in five years. **AWAS** leased the first of two A320s to **S7 Airlines**, Russia. The second will also be delivered in the first quarter of 2012. **Kingfisher Airlines** returned two A320s in March after their lessors reposed them due to lease defaults. **Small Planet Airlines**, Poland, added another A320, registered SP-HAC. It will enter service in April.

A330 & A340. **Airbus** delivered eight A330s in February, including one -243 (SN 1288) and one -302 (SN 1287) to **Air Lease Corporation**, for lease to **Garuda Indonesian** and **KLM Royal Dutch Airlines**, respectively. **Hong Kong Airlines** took delivery of its eighth of nine -243s (SN 1286). **China Eastern Airlines** accepted its eighth -243 (SN 1291). **Thai Airways International** took delivery of its 23rd -343E (SN 1289). **Airbus** delivered -343E (SN 1290) to **Swiss International Airlines**, -343 (SN 1284) to **Aeroflot**, and -343 (SN 1285) to **Cathay Pacific Airways**.

A380. **Airbus** delivered three A380s in February. **China Southern Airlines** accepted the third of five -841s (SN 054). **Emirates Airlines** bought its 21st -861 (SN 098) and **Singapore Airlines** took delivery of its 16th -841 (SN 092) in February. **Airbus** has delivered 71 A380s as of February 29. The first A380 for **Thai Airways International** was flown to Hamburg, Germany, on March 6. **Airbus** will install the cabin and paint the plane there. **Thai** will become the ninth A380 operator when it takes delivery of this aircraft in the third quarter of 2012. The airline ordered six A380s and will operate the aircraft on its premier routes from Bangkok to Europe.

Boeing 717. **Volotea Airlines** leased two -2BLs (SN 55167 & 55169) in February. **Hawaiian Air** is acquiring three -2BLs (SN 55175, 55181 & 55184) in the first quarter. **Turkmenistan Airlines** retired two -22Ks (SN 55186 & 55187) and flew them to Marana, Arizona.

Boeing 737NG. Boeing delivered 33 737s in February, including four -8AS/Ws (SN 35035, 40290, 40291 & 40292) to **Ryanair**. The airline has taken delivery of 329 -800s and has only 19 more on order. Boeing delivered three 823/Ws (SN 31137, 31139 & 33222) to **American Airlines**, two -9GPERs (SN 37290 & 38313) to **Lion Air**, two -8FE/Ws (SN 38711 & 40999) to **Virgin Australia Airlines**, and two -8K5/Ws (SN 37242 & 37265) to **TUI Travel**, which leased them to **Thomson Airways**. GECAS leased one -86N/W (SN 38024) to **COPA Airlines**, and one -86N/W (SN 39395) to **Solaseed Air**. Other lessors, **RBS Aviation Capital** leased -8K5/W (SN 39922) to **Thomson Airways** and **ILFC** leased -8Q8/W (SN 38825) to **Korean Air**. **Skymark Airlines** leased -8HX/W (SN 38104) from **Aviation Capital Group** and -81D/W (SN 39421) from **AWAS**. Boeing delivered one 737 each to four Chinese airlines in February, including -71B/W (SN 38917) to **China Southern Airlines**, -84P/W (SN 38150) to **Hainan Airlines**, -85N/W (SN 39125) to **Shandong Airlines**, and 85C/W (SN 38387) to **Xiamen Airlines**. In the Americas, **Alaska Airlines** took delivery of -890/W (SN 35204), **Continental Airlines/United Airlines** bought -924ER/W (SN 31650), **GOL Transportes Aereos** received -8EH/W (SN 37610), and **Westjet** acquired -8CT/W (SN 39071). In the Asia/Pacific region, **Garuda Indonesian** accepted -8U3/W (SN 38073), **Malaysia Airlines** received -8H6/W (SN 40135), and **Qantas** acquired -838/Ws (SN 341889). **SpiceJet** bought -86J/W (SN 37751) from **Air Berlin** just after delivery. Middle Eastern airline **flydubai** accepted its 23rd -8KN/W (SN 40252), and **Egyptair** received the 18th of 20 -866/Ws (SN 40801).

March Deliveries. Boeing officially delivered the first production P-8A Poseidon (-8FV, SN 40809) to the **U.S. Navy** on March 4. The airplane was flown to **Naval Air Station Jacksonville** in Florida, where it will be used for aircrew training. The **Navy** has received six flight-test aircraft which are based at **Naval Air Station Patuxent River** in Maryland. The planes have completed more than 1,500 flight hours. The new P-8A is the first of 13 anti-submarine warfare, anti-surface warfare, intelligence, surveillance and reconnaissance aircraft that were ordered as part of a low-rate initial production (LRIP) contract awarded in 2011. The Navy plans to purchase 117 P-8As to replace its P-3 fleet. The first ones will enter operational service in 2013.

Southwest Airlines took delivery of its first 737-800 on March 8. The plane will enter scheduled service on April 11, 2012. **Southwest's** -800s will carry 175 passengers, approximately 30 percent more than the current fleet of 737-300s and -700s. The airline plans to take delivery of 33 -800s this year. They will be equipped in full Extended-range Twin-engine Operational Performance Standards (ETOPS) configuration, allowing the airline to fly long distances over land and water. **Southwest** may expand its route system to include foreign destinations. **Aerosvit Ukrainian Airlines** received the first of 11 new 737-800 NGs on March 28. The plane was equipped with the **Sky Interior**, which is now a standard feature in new 737s.

Continental Airlines sold three 1997 vintage -524s (SN 28903, 28906 & 28909) to **BLF Limited**, Bermuda. The aircraft will be operated by **UTair** in Russia.

Boeing 747. Boeing delivered the fifth of 10 ordered -867Fs (SN 39244) to **Cathay Pacific Airways** and the first -8B5F (SN 37132) to **Korean Air** in February. Boeing handed over the first 747-8 Intercontinental VIP airplane (-8KB SN 37544) to an undisclosed customer (**Qatar Airways Amiri Flight**). The VIP 747 will enter service in 2014 after its VIP interior is installed by **Boeing Global Transport & Executive Systems (GTES)** in Wichita, Kansas. **GTES** will install the **Greenpoint**

Technologies' Aeroloft, which will be located above the main cabin between the upper deck and tail. The **Aeroloft** adds 393 square feet (36.5 square meters) of additional cabin space to the already opulent 4,786 square feet (444.6 square meters) in the 747-8 VIP. To date, undisclosed customers have ordered nine 747-8 VIP airplanes.

Boeing 767. Uzbekistan Airways received two -33PERs (SN 40534 & 40536) in February. The airline has seven -300ERs in its fleet and two more on order. **United Parcel Service—UPS** accepted its 46th -34AERF (SN 37872); it has 13 more on order.

Boeing 777. Boeing delivered seven 777s in February, including the 28th and final -336ER (SN 40543) for **British Airways**. **Korean Air** took delivery of its first of five -FB5 Freighters (SN 37639). **Korean** is the first airline in the world to operate the 747-8F and 777F Freighters. Elsewhere in Asia, **Air China** received its fifth -39LER (SN 38675) and **Cathay Pacific** accepted its 21st -367ER (SN 37899). In the Gulf region, **Saudi Arabian Airlines** received the third of 12 -368ERs (SN 41049). **Etihad Airways** took delivery of its 10th of 18 -3FXERs (SN 39685) on order, and **Emirates** received a -31HER (SN 41074). The **Emirates** plane was the 1,000th 777 jetliner to be delivered and the 35th -300ER for the flag carrier. **Emirates** is the 777 program's largest customer with 102 777s in its fleet with 84 passenger airplanes and nine freighters on order. **Boeing** is currently building seven 777s per month and will ramp up production to 8.3 per month this fall. In 2013, the manufacturer will deliver 100 777s per year. As of late March, **Boeing** has booked orders for 1,361 777s from 64 customers around the globe.

Lufthansa should take delivery of its first of 20 747-830Is on April 23; it plans to put it into revenue passenger service in May. The -830Is will be handed over at a rate of five per year until 2015. The fifth will be delivered in August. The -830Is will replace **Lufthansa's** 747-430s, which range in age from 10 to 23 years old. The **Lufthansa** planes will seat 386 passengers in a three-class layout.

The Deucalion Aviation Funds bought ex-**Air New Zealand** -419 (SN 29375) from **ILFC**. It is currently undergoing passenger to freighter conversion at **IAI Bedek**. The plane will be completed and overhauled in the second quarter, and it will be leased to **Asiana Airlines** for a 10-year term. **Air New Zealand** will postpone the retirement of its other four -419s until its 787 Dreamliners are delivered. The first of 10 787-9s are due in the second quarter of 2014.

Boeing 787. Japan Airlines (JAL) accepted its first two -846s (SN 34832 & 34835) on March 25, in a big ceremony at Everett, Washington. **JAL** is the first airline to take delivery of a **General Electric** GENx-1B-powered 787. The airline will launch several new non-stop routes from Tokyo to Boston and San Diego with the long-range aircraft.

Boeing flew **Air India's** first -837 to New Delhi and Hyderabad in mid-March so that it could be displayed at the **India Aviation 2012** air show. After the show, the airplane flew back to the U.S. **Air India's** 787 order is mired in controversy. In spite of the flag carrier's debts of Rs 43,000 crore (\$4 billion), India's civil aviation ministry decided to proceed with the 27-plane order. A senior government official said the debt-ridden airline could earn from \$10 - \$15 million from the sale-and leaseback of each aircraft. Also **Boeing** is expected to pay a few hundred million dollars in compensation to the airline for delays in the fleet's delivery. The official said **Air India** will pay about \$100 million per 787 and that they will now fetch a \$10-15 million premium due to price appreciation over the past few years. India's government will decide whether to accept all 27 787s or only a part of the order. The airline

should take delivery of seven airplanes in 2012-13 and another seven in the following fiscal year. **Air India** could open bidding for the sale and leaseback contracts for the first six 787s in a month or two. The planes would be leased for 10-12 years and will be put onto routes to Australia, Europe and Singapore. The **Indian Government** and **Boeing** are still negotiating the amount of compensation **Boeing** owes. The state-owned airline demanded nearly \$1 billion and the press reports that **Boeing** agreed to little more than \$500 million. **Boeing Commercial Airplanes** Chief Executive Officer **Jim Albaugh** disputed the press report, saying, "We don't comment on deals that we've done. But I can tell you we're not writing anybody a check for \$500 million." The 787s were ordered in 2005 and delivery was supposed to start in 2009. **Air India** is not the only airline in trouble. All of India's top six airlines, except **IndiGo**, are losing money. They are likely to lose up to \$3 billion this fiscal year and the industry's total debt will grow to \$20 billion.

Bombardier delivered CRJ900 NG (SN 15278) to **Petroleum Air Service** in February. **Brit Air** accepted CRJ1000EL NG (SN 19023).

Embraer delivered EMBRAER 190-200 IGW (SN 19000510) to **Azul Linhas Aereas**, and **JetBlue** received one E190 (SN 19000511) in February. **Air Lease Corp.** leased E190 (SN 19000512) to **Alitalia**. **China Southern Airlines** leased E190 (SN 19000513) from **CBD Leasing Corp.**, and **Tianjin Airlines** received E190 (SN 19000517). **LOT Polish Airlines** accepted E195 (SN 19000516) and **Aerolittoral**, Mexico, took delivery of E190 (SN 19000518). **Macquarie AirFinance** purchased one 2009-model E190 from **Jetscape Aviation Group**. The E-Jet continues to be long-term leased to **Azul Linhas Aéreas Brasileiras**.

Sukhoi Superjet. Aeroflot took delivery of SSJ100 (SN 95013) in late February. The plane entered service in March. The aircraft is registered RA-89005 and is painted in **SkyTeam** livery. **Aeroflot** said it was receiving compensation from the **Sukhoi Civil Aircraft** for losses incurred due to downtime resulting from technical problems with the aircraft. The airline is "not suffering direct losses from the planes' downtime. They are being paid by the manufacturer." a source close to **Aeroflot** said. In the past few months the SSJs planes have flown just 2,381 hours, a third less than planned. The downtime was due to technical problems and late delivery of spare parts, the airline said. The compensation was part of an extensive and expensive package of concession that **Sukhoi** granted to the national carrier, and its biggest customer to date. **Aeroflot** is reportedly paying only \$19 million for each of the 30 aircraft it ordered, a 38 percent discount off the list price of \$31 million. **Sukhoi** is providing free engineering services, technical support, training for flight instructors and a flight trainer, the manufacturer said. These concessions are worth tens of millions of dollars.

Turboprops

ATR delivered the third and fourth ATR 72-600s (SN 988 & 991) to **Azul Linhas Aereas** in February. **UTair** accepted one -500 (SN 990). **Caribbean Airlines** received two more ATR 72-600s (SN 993 & 997) in March. **Air Lease Corp.** accepted ATR 72-600 (SN 992) and leased it to **TRIP Linhas Aereas**. **Airstream ACMI** leased an ex-**Danube Wings** ATR 72-200 to **NextJet**, Sweden. The aircraft supplements **NextJet's** fleet of S340's on its expanding route network. **Kingfisher** returned two ATR 72-500s (SN 723 & 725) to **Hubli Aircraft Leasing** in February.

Bombardier delivered Dash 8Q-402 NextGen (SN 4399) to **Jazz Air** for operation for **Air Canada Express** in March. Four **SpiceJet** Q400 NGs (SN 4389, 4395, 4396 & 4398) are completed but have not been delivered as of early March. **Malev** returned three Q400s (SN 4054 & 4062 & 4063) to lessor **SAS**, in February. The Hungarian airline stored Q400 (SN 4057) at Innsbruck, Austria.

SAAB. Silver Airways is buying six additional Saab 340Bplus aircraft from **Saab Aircraft Leasing**. When the Saab 340s are handed over by September, **Silver Airways** will have 12 in its fleet.

Viking Air delivered the first of two Twin Otter Series 400s (SN 853) to **Ok Tedi Development Foundation**, Papua, New Guinea, in February. The operator already flies a fleet of legacy Twin Otters. The airplane was displayed at the **Singapore Airshow** and flew on a three week demonstration tour throughout South East Asia. The second aircraft will be delivered in mid-2012. Both will be used to support **Ok Tedi's** mining operations and as part of their community trust to service the local community in New Guinea, **Viking Air** said.

Antiques and Other Junque

Fly Congo, Democratic Republic of Congo, will scrap its fleet of five 727s and one other plane, possibly a 737-200. The press said the airline will junk the planes (which have been out of service for several months) to restore confidence in the country's aviation industry. **Fly Congo** was founded from the defunct **Hewa Bora Airways**, which shut down after a 727-22 crashed at **Kisangani Airport** in July 2011. Also a **Hewa Bora** DC-9 crashed at Goma in 2008. **Fly Congo's** chief executive, **Jean-Marc Pajot**, said the airline would operate a "well maintained" fleet of modern aircraft. **Hewa Bora** currently has four MD-80s in its fleet.

WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

Accidents and Safety

From Aviation Safety Foundation

A Remarkable Five Month Fatality Free Period Ended when **UTair** ATR-72-201 (VP-BYZ, SN 332) crashed near **Tyumen Airport**, Russia, on April 2. All four crew and 29 of the 37 passengers were killed. The airplane came down shortly after take off from the airport. The last commercial airplane crash that killed passengers occurred on October 13, 2011, when an **Airlines PNG** Dash 8 crashed near Madang, Papua New Guinea.

Air KBZ ATR 72-212A (XY-AIT, SN 543) was substantially damaged on February 17, when it veered off the right side of the runway after landing at **Thandwe Airport**, Myanmar. The plane hit a pile of sand, causing the starboard propeller blades to sheer off and pierce the fuselage. The nose landing gear collapsed, as well. All passengers and crew onboard escaped injury.

DOSA AF Let L-410UVP (RF-01152) was written off on February 17. During a landing at **Tanay Airfield**, Kemerovo Oblast, Russia, the airplane's undercarriage struck a truck on the highway. The L-410's undercarriage was substantially damaged during the subsequent emergency landing. The occupants escaped unharmed.

Three Military Transport Accidents. Aviación del Ejército Ecuatoriana - AEE CASA CN235M-100 (AEE-503, SN 150) failed to take off from **Quito-Mariscal Sucre Airport**, Ecuador, on March 16. The plane sank back to the runway on its belly after becoming airborne. There were no casualties among the two crew and 33 passengers.

Royal Norwegian Air Force - RNoAF Lockheed C-130J-30 Hercules (5630, SN 5630) flew into the side of a glacier near Mount Kebnekaise, Sweden, on March 15. All five crew members were killed. The plane took off from **Narvik-Evenes Airport**, Norway, and was headed to **Kiruna Airport**, Sweden.

Fuerza Aérea del Peru - FAP de Havilland Canada DHC-6 Twin Otter 300 (FAP-317, SN 324) made a hard landing on the water at Laguna Caballococha, Peru, on March 9. The starboard pontoon collapsed and the airplane sank. All eight passengers and three crew survived the accident.

Jet One Express Convair CV-340 (N153JR, SN 117) suffered an engine failure shortly after take off from **San Juan-Luis Muñoz Marín International Airport**, Puerto Rico, on March 15. The pilots attempted an emergency landing but the plane came down in a lagoon near the airport. Both pilots were killed, and the airplane sank.

Delta Air Lines Boeing 737-732/WL (N309DE, SN 29634) was substantially damaged on March 13, when it rolled off a taxiway during an engine test at **Atlanta Hartsfield-Jackson International Airport**, Georgia. Mechanics were testing the engines when the plane's braking system failed. They were not hurt but the 737 suffered damage to the landing gear and engines.

Feeder Airlines Fokker 50 (ST-NEX, SN 20248) was damaged after landing at **Wau Airport**, South Sudan, on March 29. The nose gear and left hand main gear collapsed, causing substantial damage. The five crew and 50 passengers escaped without serious injury.

International Air Transport Association (IATA) announced that the accident rate for Western-built jets in 2011 was the lowest in aviation history. Only 11 Western-built jets were destroyed last year, down from 17 hull losses in 2010. Total aircraft crash fatalities fell to 486, from 786 in 2010. The airline industry's global accident rate in 2011 was 0.37, or the equivalent of one accident every 2.7 million flights. During the previous year, the accident rate was 0.61. Asia-Pacific, Europe, North America and North Asia were the safest regions to fly in, while the accident rate for the rest remained the worst, but it was improving. Hull losses in the Latin America and the Caribbean regions were 3.5 times higher than the global average, but were also improving. The accident rate in the Commonwealth of Independent States, Middle East and Africa regions were higher than average and were worse than last year. Many Eastern-built aircraft operate in those three regions. Some 26 Eastern-built planes crashed in 2011. According to **IATA**, 2.8 billion people flew safely on 38 million flights last year.

Arkia and Israir, Israel, must retire their five ATRs within two years. The **Transportation Ministry** ordered the grounding of the regional turboprops because they cannot be fitted with anti-missile systems. The government fears the ATRs could be shot down by anti-aircraft missiles that were looted from Libyan armories. Israel's jet aircraft are being fitted with a locally made anti-missile defence system known as C-Music. It uses a laser to blind heat-seeking missiles. **Arkia** scrapped ATR 42-300 (SN 064) in November, 2011 and exported another (SN 069) to the U.S. in January.

AVMARK CAPABILITIES

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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TAV reports current fair-market values by year of build and projects the future value of 116 transport category aircraft. The future values are based on an economic model that projects the values based on the earning stream of approximately 130 different types of aircraft for their useful lives. The model takes into account the operating cost and characteristics of each aircraft, worldwide and future traffic volumes, fare levels and current and future fleet compositions. The values are presented in both constant and then-current dollars.

Select Aircraft Type

Available Aircraft

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

Picture



Selected

Airbus A340-300

Description

Widebody 4 Engine Passenger

Manufactured

1992 To 2006

Values

\$54.00m \$118.00m

Estimated Life

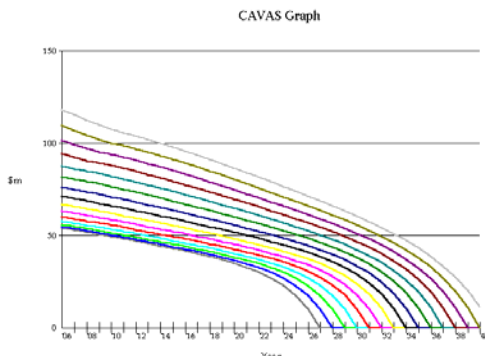
35 years

File No.

013

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CAVAS Figures

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2006	54.00	54.61	55.83	57.66	60.10	63.34	66.80	71.07	72.94	81.43	87.52	94.23	101.54	109.47	118.00
2007	52.83	53.49	54.73	56.34	58.98	62.01	65.42	69.85	74.86	80.37	85.92	92.18	99.12	106.73	115.25
2008	51.69	52.36	53.61	55.43	57.85	60.94	64.43	68.69	73.65	79.18	84.76	90.49	96.97	104.20	112.39

Profit & Loss Report

Aircraft Type: Airbus A340-300

Period	1	2	3	4	5
REVENUES (US\$)					
Passengers	49,328,754	49,270,739	49,212,559	49,154,213	49,095,701
Freight & Mail	8,879,176	8,868,733	8,856,261	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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