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Newsletter

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Market Comment

Teeter Totter Financial Jousting. The **World Trade Oganization (WTO)** issued a ruling in January that stated that **Boeing** received U.S. government subsidies. In March 2010, the **WTO** issued a decision stating that **Airbus** received European government subsidies. Now **Airbus** and **Boeing** are sending out self-congratulatory press releases saying that their side won and the other side is benefiting from illegal state support that distorts the market.

Airbus charges that **Boeing** received at least $5 billion from the U.S. taxpayer and will receive more than $2 billion in state and local subsidies. Further, **Airbus** said, "In concluding that **Department of Defense (DoD)** and **NASA** funding are illegal subsidies, the **WTO** decision will require fundamental changes to the U.S. funding mechanisms." **Airbus** defended the "Reimbursable Loans" the European governments granted by saying the billions in **Boeing** subsidies had a significantly greater distortive effect than the **Airbus** loans. **Airbus** said it lost $45 billion in sales due to the subsidies. The company optomistically forecast, "Taking the cases together, the **WTO** will be seen to now have specifically green-lighted the continued use of loans in Europe and commanded **Boeing** to end its illegal R&D cash support from **NASA**, **DoD** and the U.S. taxpayers." **Airbus'** Head of Public Affairs and Communications **Rainer Ohler** said, "From today, **Boeing** can no longer pretend that it doesn't benefit from generous and illegal state subsidies. It has been doing so from the start and it's time to stop the denial. We expect the **WTO** dispute to carry on for several more years and as in all trade conflicts, a resolution will only be reached through negotiations. The myth that **Boeing** doesn't receive government aid is over and we hope this sets the tone for balanced and productive negotiations going forward."

In March 2010, **Boeing** issued a statement about the **WTO's** ruling on **Airbus** subsidies which said, "This is a powerful, landmark judgment and good news for aerospace workers across America who for decades have had to compete against a heavily subsidized **Airbus.** U.S. officials have estimated the commercial value to **Airbus** of all the government launch aid subsidies it has received at more than $178 billion (in 2006 dollars). Government subsidies have been used to support the creation of every **Airbus** product, including the A330/A340, which received more than $5 billion in development aid, and the A380, which received

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$4 billion in subsidies." **Boeing** charged that **Airbus** and its sponsor governments continue to use subsidized launch aid to fund the A350. "Markets, not parliaments, should pick the winners in the global aerospace industry," **Boeing** said. Ironic words from a company that spent the last two years rounding up Congressional support for its 767-based KC-X tanker proposal.

In January, **Boeing** released its version of the **WTO** ruling by saying, "The **WTO** rejected almost all of Europe's claims, including the vast majority of its R&D claims – except for some $2.6 billion. This represents a sweeping rejection of the E.U.'s claims. Nothing in today's reports even begins to compare to the $20 billion in illegal subsidies that the **WTO** found last June that **Airbus/EADS** has received (comprised of $15 billion in launch aid, $2.2 billion in equity infusions, $1.7 billion in infrastructure, and roughly $1.5 billion in R&D support). The **WTO's** decisions confirm that European launch aid stands alone as a massive illegal subsidy only available to **Airbus**, which has seriously harmed **Boeing**, distorted competition in the aerospace industry for decades, and resulted in the loss of tens of thousands of good-paying U.S. jobs." **Boeing** goes on to say that **Airbus** must repay or restructure $4 billion in illegal launch aid used to develop the A380. They must also remedy the effects of the $16 billion in illegal subsidies **Airbus** received. **Boeing** charged that **Airbus** will be "required to finance airplanes the same way **Boeing** does – with its own money…[with] more than $13 billion dollars of cash on hand, **Airbus** should have no problem with this new requirement."

One wonders if **Airbus** and **Boeing** were reading the same **WTO** ruling. The **WTO** said it will release the full text of the ruling in several months. The press commented that both companies received illegal government aid and that since the amounts are so massive, neither side will be able to return the money to the governments. The only solution will be a negotiated settlement between the U.S. and E.U. That will take a while, because both sides want to fight it out with claims of "economic harm," which will only harm small manufacturers that can be easily targeted. Both sides will not quit until the **U.S. Air Force** chooses between **Airbus** and **Boeing** for 179 air re-fueling tankers worth nearly $30 billion. Even that choice is sure to be appealed to the U.S. **Government Accounting Office** and the process will drag along for another year. Once upon a time (1992), **Airbus** and **Boeing** signed a deal allowing the U.S. and E.U. to offer state aid to their domestic manufacturers. That deal fell apart in 2004, when the U.S. reneged on the agreement and took **Airbus** to the **WTO**. Then the E.U. filed a case against **Boeing**. Now the field has new players, including the aerospace manufacturers of Brazil, Canada, China, India, Japan and Russia. Each country has lots of money and lots of ambition to become world-class manufacturers of

100-plus-seat commercial aircraft. China is especially rich and ambitious. It wants to build domestic 150-seaters this decade and plans to develop a twin-engined widebody in the 2020s. China will not hesitate to use massive state aid to build the planes and will use arm twisting to sell it domestically. Further, it will use its version of the **Ex-Im Bank** to fund foreign sales. **Airbus** and **Boeing** had better make peace among themselves before they have to compete with the Chinese.

Airbus Orders

Airbus Sold 12 A321s, 14 A330s and Six A380s in January. It started the year with the confirmation of **Asiana Airlines'** purchase for six A380s. The first will be delivered in 2014, and the A380s will be used on the South Korean carrier's routes to Europe and the U.S. **Asiana** is a new customer for the A380 and the airline raised total orders for the A380 to 240. Another new customer, **TUI Travel PLC,** acquired two A330-300s for its French airline subsidiary **Corsairfly**. **GE Capital Aviation Services (GECAS)** added a dozen A330-300s to its fleet of 20. **Thomas Cook Group** is buying 12 A321s for its subsidiary **Thomas Cook Airlines Scandinavia.** The travel conglomerate will standardize its fleet with the A320 Family aircraft.

Airbus delivered 22 A320s, three A321s, one A319, four A330-300s, one A330-200 and two A380s in January.

GE Capital Aviation Services (GECAS) signed a firm order for 12 long-range A330-300s. With the new order **GECAS** has purchased a total of 32 A330s; the first 20 are already in service. All **GECAS** A330s are powered by **GE** CF6-80E engines. The A330-300 typically seats 300 passengers and has a range of up to 5,600 nm / 10,400 km. The plane is optimized for the medium to long-range market.

TUI Travel PLC ordered two A330-300s and became a new customer for the aircraft. The European travel group ordered these A330s for its French airline subsidiary **Corsairfly**. The two-class, 362-seat A330-300s will be

Airbus January 2011 Orders, Deliveries and Backlog

JAN ORD	JAN DEL	JAN CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	83	74	9
			A319		
-0-	1	-0-	1,501	1,273	228
			A320		
-0-	22	-0-	4,492	2,576	1,916
			A321		
12	3	-0-	880	629	251
			A330		
14	6	-12	1,106	755	351
			A340		
-0-	-0-	-0-	379	375	4
			A350		
-0-	-0-	-0-	583	-0-	583
			A380		
6	2	-0-	240	43	197
This Month			**This Year**		**BL**
32	33	**-12**	**20**	**33**	3,539

Airbus sold 10,080 aircraft and delivered 6,541 as of January 31, 2011
Total orders, deliveries and backlog include cancellations and order changes.

operated on the airline's long-haul routes from Paris to the Caribbean and North America. They will also fly to Indian Ocean destinations. The A330s will be delivered in the 235 ton maximum take-off weight configuration. **Corsairfly** operates two A330-200s that it purchased in 1999 and 2000. It also flies six 747-400s. The airline did not say if the new A330s were for expansion or replacement of older equipment. As of February 1, **Airbus** has sold 496 A330-300s and a total of 1,118 A330s to 324 customers.

Thomas Cook Group signed a firm order for 12 A321s, as stated on Page 3. The purchase is the first step in **Thomas Cook's** fleet standardization and renewal plan, based on the A320 Family. **Thomas Cook Group** also plans to lease A320 Family aircraft from operating lessors. The new A320s and A321s will be fitted with **Airbus'** fuel saving Sharklet wing-tip devices. The airline also operates 757-200s, 767-300s, A330-200s and A330-300s on long-haul routes. The group will review its long-haul aircraft needs later this year. **Thomas Cook Group** is one of the world's leading leisure travel groups. It consists of **Thomas Cook Airlines** in Belgium, **Condor** in Germany, **Thomas Cook Airlines Scandinavia** in Denmark and **Thomas Cook Airlines UK** in the United Kingdom. The airlines operate 97 aircraft and serve 21 countries.

Skymark Airlines, Japan's third largest airline, signed its contract to purchase four A380s in February; **Airbus** announced **Skymark's** Memorandum of Understanding in November 2010. **Skymark** is the first airline in Japan to buy the A380 and it will place the plane on new routes to Frankfurt, London and Paris in 2014. The four planes are list priced at $375 million each. Firm orders for the A380 stand at 244 from 19 customers worldwide; five customers have taken delivery of 43 aircraft.

Airbus Raises A330 Production Rate. Starting in the second quarter of 2013, the manufacturer will build 10 A330 Family aircraft per month. **Airbus**

Airbus Increased the Average List Price by 4.4 Percent. The increase was announced in January and it applies to all new aircraft sold this year. **Airbus** boosted the price of the A380 by 8.4 percent. It said the price inflation was calculated according to its standard escalation formula. The company added another 4 percent to the A380's price increase due to "the type's outstanding revenue-generating performance [which is] now being demonstrated in airline service." **Airbus** Chief Operating Officer, Customers **John Leahy** explained that the company is facing greater industrial investments due to ramping-up production rates to meet airlines' demand. This and the weak dollar, "necessitates raising our aircraft prices across the board," he said. "Moreover, the A380's further price adjustment reflects the type's exceptional value it clearly generates for its operators, with whom it has exceeded all expectations in service."

Airbus Delivered 15 Corporate Jets in 2010. The planes were worth more than $ 1.5 billion at list prices and the numbers set a new record for **Airbus** in the business market. **Airbus** produced 13 A318 Elites, A319 ACJs (Airbus Corporate Jetliner) and A320 Prestiges, plus two VIP A330/A340 widebodies. **Airbus** sold six A319 ACJs and one A320 Prestige, plus two A340-500s in 2010, for a program total of more than 170 aircraft. **Boeing** sold two 737-700BBJs, one 737-800BBJ and one VIP 747-8I in 2010. The manufacturer delivered six 737-700BBJs, one 737-800BBJ, four 737-900BBJs and one VIP 777-200LR last year. **Boeing** has sold 142 737-BBJs, eight 747-8Is, one 767-400ER, two 777s and six 787s for a program total of 159 VIP widebodies and 737 business jets. Those numbers do not include the several presidential 747-200s and -400s and the many government 707s that the company delivered between 1959 and 1999.

currently assembles eight A330 Family aircraft each month. The monthly rate will be raised to nine in early 2012. **Airbus** has sold 1,118 A330s and delivered more than 750 to date. It also has 583 A350s in backlog. The A340 program is just about finished, with only four A340-500 orders to be filled. **Boeing** vows to build 10 787 widebodies per month on two production lines. **Airbus** said the A330 is a bestseller as a passenger airliner, as a VIP aircraft, a Multi Role Tanker Transport, and also as a freighter. It plans to deliver five new freighters to three customers in 2011. The manufacturer sees a market for approximately 400 new-build, mid-size freighters over the next 20 years. It has sold 66 so far, and has 61 in backlog. **Airbus** may be ramping up A330 production in anticipation of winning the **U.S. Air Force** tanker competition. It will deliver five A330 Multi Role Tanker Transport (MRTT) aircraft this year. Those planes are currently built on the A330 line in Toulouse and flown to Madrid for modification into MRTTs. If **Airbus** wins the contract, it will assemble and complete the **USAF** tankers on a dedicated production line in a new factory at Mobile, Alabama.

Boeing Orders

Alaska Airlines ordered 13 extended-range 737-900ERs and two 737-800s. The sale was valued at $1.3 billion at list prices (an average of $86.67 million each). **Alaska** exercised previously placed options when it bought the 15 new planes. The 737-800s will be delivered in late 2012 and six -900ERs will enter service in 2013, followed by the other seven in 2014. The 737-900ER is the largest and newest model in the 737 family. It can either carry up to 26 more passengers or fly about 500 nautical miles (926 km) farther than **Alaska's** 737-900. The 737-900ER will serve the airline's high-traffic trans-continental routes from the West Coast in a generous two-class configuration of 178 to 184 seats. **Alaska Airlines** operates 114 737s between 61 destinations in the United States, Canada and Mexico. It transitioned to an all-737 fleet in 2008, when it grounded its last MD-80s. The airline has grown by 18 percent since 2003. **Alaska** said it has the flexibility to reduce capacity, if necessary, by parking or selling its owned 737-400s, or by cutting back average aircraft utilization. The airline will take delivery of three 737-800s this year, six in 2012, three in 2013 and one in 2014. **Alaska** intends to retire three 737-400s in 2012 and five in 2014.

Boeing January 2011 Orders, Deliveries

JAN ORD	JAN DEL	JAN CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
32	22	-32	8,824	6,660	2,164
			747		
-0-	-0-	-2	1,525	1,418	107
			767		
-0-	1	-0-	1,044	995	49
			777		
2	3	-3	1,165	913	252
			787		
-0-	-0-	-0-	847	-0-	847
This Month			**This Year**		**BL**
34	26	-32	**2**	**26**	3,419

Boeing sold 20,935 aircraft and delivered 17,516 as of January 31, 2011
The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.
Sales totals are net, minus cancellations.

Boeing Business Jet ordered one VIP 737-700BBJ in January. As of January 31, **Boeing** has sold 115 737-700 BBJs, 20 737-800 BBJs and seven 737-900 BBJs, for a total of 142. Of that number, 124 have been delivered.

The U.S. Navy ordered the first six Boeing P-8A Poseidon patrol aircraft worth $1.6 billion ($266.67 million each). The **Navy** plans to buy 117 P-8As over the next eight years. The P-8As will replace an ageing fleet of **Lockheed Martin** P-3C Orions. The first sub hunters will enter service during fiscal year 2014. So far, the only other customer is the **Indian Navy,** which ordered six P-8Is for delivery after 2015. **Boeing** said the program is progressing smoothly. The static tests of the ground-test aircraft were completed in January. The tests proved the structural integrity of the P-8A design. Unlike other military aircraft adapted from civil designs, **Boeing** is building in the P-8A's structure and systems on the production line. In the past, **Boeing** modified a commercial airframe and installed the military hardware after the plane left the production line. The KC-767s were built as 767-200ER and the tanker systems and cargo floor were added later. The 737 AEW&C was also built to commercial standards and modified later. The P-8A is a 737-800ERX with an internal weapons bay and space for a mission suite. It is being considered by the **U.S. Air Force** as a replacement for the **Northrop Grumman** E-8C Joint STARS airborne ground surveillance system aircraft.

Lufthansa Cargo expects to acquire six "MD-11 equivalent" freighters by 2015. The airline is looking at options to buy new or converted freighters and should make its decision by the end of March. **Lufthansa Cargo** said new 747-8Fs are probably too large for the airline, while new or converted 767 freighters are too small. Converting passenger 747-400s into freighters is still on the table, while acquiring more MD-11s has been ruled out. This leaves the order for new **Boeing** 777 freighters as the best option by process of elimination. It is rumored that **Lufthansa Cargo** has already ordered five 777 Freighters and optioned 30 more. The 777s will replace their 18 MD-11Fs by 2018. Neither **Lufthansa** nor **Lufthansa Cargo** operates the 777, but **AeroLogic**, **Lufthansa's** joint venture with **DHL**, operates eight 777Fs. This adds credence that the 777F is the only choice for the MD-11F replacement. **Lufthansa Cargo** experienced a resurgence of business and returned its stored MD-11Fs into service last year. Now it wants to expand this year and hopes to grow its fleet by six freighters by 2015. The expansion plans are limited by the availability of suitable airplanes. It may be tough for **Lufthansa Cargo** to find new 777Fs in the short term. Fortunately, lessors have 777Fs in backlog — **Dubai Aerospace Enterprises** has six, **GECAS** has two, **Guggenheim Aviation Partners** has three and **Oak Hill** has two 777s on order. Most of them are spoken for, but perhaps not all. **Lufthansa Cargo** may have to wet-lease freighters from other operators.

An Unidentified Customer ordered 10 737NGs late in January. **Boeing** announced a total of 32 new 737 sales last month. **Dubai Aerospace Enterprise (DAE)** cancelled 32 737 orders, reducing **Boeing's** net 737 orders to zero for the year. The two 777 orders by **American** raise **Boeing's** total sales to 20,935 commercial airliners. **Boeing** delivered 22 737s, one 767 and three 777s in January.

American Airlines ordered two 777-300ERs for delivery in late 2012. The new 777s will support **American's** global network and will capitalize on international opportunities, the company said. The airline also has outstanding orders for seven 777-200ERs.

Comair Limited, South Africa, announced its order for eight 737-800s fitted with **Boeing's** new Sky Interior. **Comair** will use the 737s to update the fleet of its low-fare airline subsidiary **kulula.com.** The

order was valued at approximately $646 million ($80.75 million each) at current list prices. **Comair** placed the order in June 2010, that was attributed to an unidentified customer. **Comair** is also purchasing the **Boeing** Maintenance Performance Toolbox maintenance data base. **Kulula.com** was started in 2001 as South Africa's first low-fare carrier. It currently operates seven 737 classics and leases three 737-800s. **Comair** operates 13 737s as a southern African franchise partner of **British Airways**. **Comair** operates nearly 800 flights each week on its South African and regional routes.

In February, one unidentified customer ordered one 737NG and another ordered three 777s. This was followed by another unidentified customer, which bought four 777s. **Boeing** lost four 787 orders in the first week of February; the 787 program now stands at 843.

LAN Airlines ordered three 767-316ERs valued at $493 million ($164.3 million each). The planes will be delivered in July, August and September of 2012, **LAN** said. With this order, the Chilean flag carrier has ordered 25 767-300ERs and eight 767-300Fs. The airline will add 54 new airplanes between 2011 and 2013. They will be worth more than $4 billion.

El Al Airlines, Israel's flag carrier, ordered four 737-900ERs and optioned two more in February. **El Al** valued each aircraft at $53.75 million, so the firm order is worth $215 million and the optioned planes will cost $105 million. This is a considerable discount from the $87.7 million list price. The new 737-900ERs will replace **El Al's** fleet of early 1990s-era 757-200s. The airline operates two and its charter subsidiary **Sun d'Or International Airlines** flies three 757s; the 757s will be retired as the 737s arrive. **El Al** currently operates an all-**Boeing** fleet of 13 737NGs, eight 747s, two 757s, eight 767s and six 777-200ERs. The airline has options to purchase two other **Boeing** aircraft. The **El Al** order has not been officially announced by **Boeing.**

The Much Ballyhooed 200 New Plane Order from China turns out to have been announced before. **Boeing** claimed the $19 billion order was approved by the **Chinese Government**. The statement was technically true, but the orders were not new. They had been placed over the last four years and were finally approved in time for Chinese President **Hu Jintao's** state visit. Also the $19 billion represented the list price for the 195 737s and 15 777s. It is reported that several Chinese airlines have negotiated price concessions of up to 40 percent. **Avitas** estimates that the airplanes will actually cost approximately $11 billion. Chinese airlines have 256 Boeing jets on order, including 151 737s, 10 747-8F freighters, 38 777s, and 57 Dreamliners. The other 34 737 orders that were approved in January may have been put under the "unidentified customer" category.

U.S. Financial Services Firm Morgan Stanley announced it believes that **Airbus** will sell from 500 to 1,000 A320neo aircraft by the end of the **Paris Air Show** in June. **Airbus** Chief Operating Officer **John Leahy** dismissed the idea of 1,000 A320neo sales as "overly optimistic." He does expect to sell "several hundred" A320neos over the same period. No matter the number, this will force **Boeing** to speed up its decision to build a new narrowbody or modify the 737NG. The analysts also think **Boeing** will accelerate the in-service date for the new single-aisle jet to 2019 or 2020.

Boeing May Launch 737 Replacement in 2020. Boeing Chairman and Chief Executive **Jim McNerney** told analysts, "We're going to do a new airplane." Then he modified his declaration by saying the company was "leaning" toward replacing the 737 rather than re-engining the popular twin jet.

"We think our customers will wait" for the all-new 737, he said in early February. A decision will be announced either at **Paris Air Show** or at the end of the year. **Airbus** chose to upgrade its A320 with more efficient engines and aerodynamic improvements. Mr. **McNerney** said that **Boeing** would not redo the 777 while it works on a new 737. **Boeing** does not want to repeat the same problems it had with the simultaneous development of the 787 and the 747-8. **Boeing's** Chief Financial Officer **James Bell** said its oft-delayed 787 program remained profitable. The company plans to deliver from 25 to 40 787s and 747-8s this year. The 747 deliveries start in the middle of the year and the first 787 will be delivered in the third quarter. The company is currently building two 787s and 1.5 747s per month. It will ramp up production to two 747s per month in mid-2012, and 10 787s per month by the end of 2013. Approximately 20 787s are complete, but they await installation of the engines. **Boeing Commercial Airplanes** expects to deliver between 485 and 500 airplanes this year. The start of 747-8 and 787 deliveries will push deliveries past the 500 mark even if 737, 767 and 777 production remains static. The production line is sold out.

Boeing Commercial anticipates revenue of between $36 and $38 billion, but this year's 747 and 787 deliveries will have a "zero margin," the company said. Mr. **Bell** said **Boeing** was negotiating compensation with customers and suppliers and payments are in line with expectations. Its operating margins should range between 7.5 and 8.5 percent. The whole company reported a profit of $1.16 billion from revenue of $16.6 billion in the fourth quarter, compared with a $1.27 billion profit a year earlier. Net income for the full year was $3.3 billion on revenue of $64.3 billion, down 6 percent from 2009's $68.3 billion. **Boeing** forecast that its revenue this year will vary between $68 billion and $71 billion, due to the expected delivery of 40 more high-price widebody airplanes.

Southwest reported a profit of $131 million from revenues of $3.11 billion. It saw its revenue rise 15 percent from the previous year. The airline is being cautious this year. It plans to increase capacity by only 5 to 6 percent this year, which is less than its historical growth rate. The company is concerned with rising fuel prices that could increase its overall expenses by $650 million in 2011. It foresees average jet-fuel price of $2.80 to $2.85 a gallon. The airline weathered the $140-per-barrel oil price crisis by hedging its fuel purchases. It is unlikely that it can repeat that performance over the long term. This is why **Southwest** would rather bet on fuel efficient planes than fuel hedges to manage its fuel costs.

Southwest Airlines Chairman and Chief Executive **Gary Kelly** said the airline could operate three different types of aircraft. This should be ample warning to **Boeing** that it's biggest 737 customer may buy **Airbus** A320neo or **Bombardier** CSeries jets if **Boeing** does not offer a re-engined 737 in the near term. **Southwest** currently operates a fleet of 198 737 Classics and 354 Next-Generation 737-700s. As of this moment, the airline has another 105 737NGs on order. The company will receive 19 737-700s in 2011, and 20 737-800s in 2012. **Southwest** will acquire 52 737-700s, 86 717-200s and 51 more 737-700 orders when it buys **AirTran Airways** in the second quarter. **Southwest** said it plans to switch as many as 100 of its -700 orders for the larger 175-seat 737-800 when it replaces it's 173 older 137-seat 737-300s. **Southwest** has several choices to make regarding the 117-seat 717s. It can keep them and use them on routes that are too small for the 737, or the airline can replace them, and the 25 122-seat 737-500s, with efficient 110- to 130-seat planes such as the CSeries or **Embraer** E-195. Mr. **Kelly** has been quite persistent in telling **Boeing** that he wants the company to develop a more efficient airplane. He expects **Boeing** to make its decision by mid-year, whether to emulate **Airbus** or to wait

until the end of the decade to launch an all-new 737 replacement. **Boeing** said it has no deadline for a final decision and it continues to talk with customers. By waiting, **Boeing** could lose one of its most important 737 customers. **Southwest** helped to launch the 737-300, the 737-500 and the 737-700 over the past 30 years. If **Airbus** sells **Southwest** a hundred A320neos, **Boeing** will be hard pressed to sell a replacement fleet in 2020.

Boeing Rolled Out its New 747-8 Intercontinental on February 13. Approximately 10,000 guests saw the premiere of the 747-8 Intercontinental, including customers, **Boeing** employees, government officials, partners and suppliers. They attended a gala party at Everett, Washington, that was hosted by **Boeing Commercial Airplanes** President and Chief Executive Officer **Jim Albaugh**. The event was themed "Incredible, Again." After nearly 43 years, the **Boeing** 747 Jumbo Jet inspires, but no longer awes the imagination. The first 747-100 was unveiled in September 1968, and at that time it was truly awe inspiring. It was the largest aircraft anyone had ever seen and it promised to revolutionize air travel.

Boeing's Seventh 787, designated ZA102, took to the air in January. The aircraft, registered as N1006F, is a temporary member of the 787 flight test fleet and will help demonstrate extended operations (ETOPS), as well as complete function and reliability testing, **Boeing** said. The **Rolls Royce** Trent 1000-powered plane will be the first 787 to be delivered to **All Nippon Airways** in the third quarter. It is painted white and has an **ANA** logo on the tail. The previous six 787s were uniquely configured for the tests required by the certification program. **Boeing** told the press at the biennial **Aero India** air show at Bangalore, India, that it would deliver **Air-India's** first 787 Dreamliner in the fourth quarter of 2011. This is a short delay from the last announced delivery date of June 2011

The Fifth 747-8 Freighter First Flight. The 747-8KZF, SN 36138, took off from **Paine Field** in Everett, Washington, on February 4 and returned three and a half hours later. Each of the five airplanes is being used for a specific set of tests, with this airplane focusing on functionality and reliability testing. The test aircraft is painted in an all-white scheme, so it is not readily apparent to which airline it is destined.

The Latest 747 is 85 Percent New, when compared to the 747-400. The 747-8 features new wings, flight deck, GEnx engines and interior and is now the longest airliner to fly, but it is no longer the largest. The five-year-old A380 is larger and can carry more passengers, and it outsold the 747-8I by a wide margin. To date, **Boeing** sold 20 747-8Is to **Lufthansa**, five to **Korean Air** and eight VIP transports to private and government operators. **Airbus** has sold 243 passenger A380s and one VIP A380. The first 747-8I will be delivered to an un-named VIP customer by the end of this year. **Lufthansa** will accept the first airliner in early 2012. **Nico Buchholz,** executive vice president, **Lufthansa Group Fleet Management,** said, "The 747-8 Intercontinental will be a great complement to our fleet, fitting nicely into the 400-seat category, improving our fleet's eco-efficiency even further." The plane, fitted with only 386 seats, will fill the gap between its 526-seat A380 and the 345-seat A340-600. **Lufthansa** operates 29 747-400s that carry between 330 and 378 passengers. The first of them were delivered in 1989, and are due for replacement. **Korean Air's** A380s will seat only 407 passengers. The airline has not announced the seating capacity for the 747-8I. **Korean's** 747-400s carry between 333 and 384 passengers, depending on configuration. The airline ordered 10 A380s and five 747-8Is, so it will be able to replace its 20 747-400s on a nearly tail-for-tail basis. Like **Lufthansa, Korean's** oldest 747-400 was delivered in 1989. **Boeing** touted the 747-8 Intercontinental as offering

operating costs 12 percent lower than the 747-400's. The new 747 "provides 16 percent better fuel economy, 16 percent less carbon emissions per passenger and generates a 30 percent smaller noise footprint than the 747-400," **Boeing** said. The company expects to sell many more 747-8Is after the type enters service. It may be a front runner for the **U.S. Air Force's** next presidential transport. The present 747-200-based VC-25s are 20 years old. **Boeing** has good reason to be optimistic. The company forecast the sale of a few hundred 747s when it rolled out the first one in 1968. To date, **Boeing** has sold 1,418 747s and 107 new 747-8s.

The Two Front Runners in Delta Air Lines Competition for fuel efficient single-aisle aircraft are the all-new **Bombardier** CSeries aircraft and the re-engined **Airbus** A320neo. Both will be powered by the **Pratt & Whitney** PW1000G geared turbofan engine. **Delta** intends to buy from 100 to 200 narrowbodies to replace its ancient DC-9s and elderly A320s and 757-200s. The CSeries is aimed at the 100-130 seat market and would be too small to replace the 200-seat 757s. **Delta** CEO **Richard Anderson** said he was excited about the 20 percent improvement in fuel efficiency that the geared turbofan engine offers over the engines in the current fleet. He did not mention the **CFM International** Leap-X that is an option on the A320neo, even though **Delta's** A319s and A320s are powered by CFM56 engines. He dismissed the **Boeing** 737NG as "legacy equipment" that will "have to match up against the efficiencies of the next-generation airplane." Mr. **Anderson** said the evaluation process will take until the end of the year to finish. The first deliveries are to take place in 2013. **Delta** will retire its 40 DC-9s this year. Some will be replaced by eight EMBRAER 170s. **Delta Connection** signed a six-year-duration, capacity-purchase agreement with **Republic Airways Holdings** for the eight E-170s. By September, **Republic** will operate eight E-170s and 16 E-175s for **Delta. Delta** plans to retire up to 60 small regional jets and Saab 340 turboprops from its **Delta Connection** fleet over the next 18 months. **Delta** said it will accelerate the retirement of older, inefficient airplanes and will grow its capacity by less than 5 percent in 2011. The airline will also increase its fares. The fleet changes are due to the 33 percent jump in fuel prices over the past year. **Delta** intends to cut its capital spending this year by $300 million to $1.3 billion. The airline has only five A319s and two A320s on order for near term delivery and has 18 787-8s due late in the decade.

The Russian Industry and Trade Ministry approved the continued manufacture of **Tupolev's** updated Tu-204SM twinjet. The ministry's aviation department chief **Yuri Slyusar** said the Tu-204SM was "a transitional project" that will "help preserve competencies in building mainline aircraft and provide for testing technologies to be applied on the MS-21." The production of the **United Aircraft** MS-21 begins in 2016. The Tu-204SM program was saved by a 44-plane order by launch customer **Red Wings,** according to ***RAI Novosti.*** **Red Wings** owner, **National Reserve,** said it will pay 1.07 billion rubles ($35.9 million) for each Tu-204SM. It will finance the purchase by selling its 15 percent shareholding in the Russian flag carrier **Aeroflot.** The first Tu-204SM prototype is undergoing flight trials and could be certified late this year. **Red Wings** could receive its first two aircraft this year and get another six in 2012. **Aviastar's** managing director **Sergei Dementyev** said the manufacturing plant is building six Tu-204SMs and is poised to start production of 10 more. He addressed two huge problems with prior commercial transport programs. "Our prime goal now is to stick to the demanding production schedule." The manufacturer will offer "a new after-sales support scheme complete with an efficient infrastructure system to maintain a stock of spare parts as requested by the launch customer," he said. In the past, Russian manufacturers suffered from low production rates and uncertain supply chains. The after-sale support for commercial jets was not dependable and this discouraged new sales.

Regional Report

ATR, the French and Italian regional turboprop manufacturer, announced it sold 80 new aircraft in 2010; **ATR** took options for 33. **ATR** posted revenues of $1.35 billion, which is slightly higher than earnings achieved in the past three years. The company expects to deliver up to 70 aircraft and earn up to $1.8 billion in 2012. These numbers illustrate the recovery of the aviation industry in 2010. **ATR** booked orders from 12 customers; five were new **ATR** clients, which ordered 45 aircraft. The firm sales and options were valued at $2.4 billion. **ATR** has sold 1,074 aircraft, consisting of 423 ATR 42s and 651 ATR 72s, as of December 31. It has sold more than 300 new aircraft since 2005. **ATR** delivered three ATR 42s and 48 ATR 72s, by year's end and has delivered at total of 412 ATR 42s and 503 ATR 72s.

ATR Orders in 2010

COMPANY	42-500	42-600	72-500	72-600
AZUL Linhas Aéreas				20 (20 opt)
Air Lease Corp.				10 (10 opt)
Caribbean Airlines				9
Jet Airways			6	
Firefly			3	
Golden Air			2	
Syrian Air			2	
Lao Airlines			2	
Air Mauritius			1	
Air Guyane	1			
UNDISCLOSED	4 (3 opt)			
UNDISCLOSED			20	
TOTAL FIRM ORDERS FOR 2010	5	0	36	39

ATR Deliveries in 2010

COMPANY	42-500	72-500
Vietnam Airlines		8
Jet Airways		6
Lion Air (Wings Air)		6
TRIP Linhas Aereas		6
Air Algérie		4
MASwings		3
Precision Air Services	2	1
Apoyo/NAYSA		2
Firefly		2
Golden Air		2
Lao Airlines		2
Syrian Air		2
Buquebus		1
Belle Air		1
Air Mauritius		1
Air Guyane	1	
Lohnro		1
TOTAL DELIVERIES	3	48

ATR ended 2010 with a backlog of 159 aircraft, which represents three years of production at the current delivery rate. It has outstanding orders for four ATR 42-500s, five ATR 42-600s, 43 ATR 72-500 and 107 ATR 72-600s. The company sold 29 used aircraft in 2010. It signed seven new **Global Maintenance Agreements (GMA)** covering 82 additional aircraft. Chief Executive **Filippo Bagnato** said, "There is an estimated demand of almost 3,000 turboprop aircraft in the next 20 years, comprising 60 percent of growth and 40 percent of replacement needs." According to **ATR,** turboprop sales dominated the regional market over recent years, with more than 75 percent of sales. This underlines a clear demand for cost-efficient regional aircraft. Mr. **Bagnato** said, "There is strong commercial potential for **ATR** in regions such as South East Asia, India and Latin America, where **ATR** has been highly successful in recent years. Additionally, there is a strong replacement potential in mature markets." **ATR** expects to earn certification of the ATR 42-600 and ATR 72-600 models early this year and begin deliveries by mid-2011.

Caribbean Airlines, Trinidad and Tobago, signed its contract for nine ATR 72-600s, valued at $200 million ($22.222 million each). **ATR** and the airline signed a Memorandum of Understanding for the

planes in 2010. The first planes will be delivered in October 2011. The new ATR 72-600s will replace **Caribbean's** fleet of five Dash-8 300s on domestic routes. Some of the new ATRs will be operated for **Caribbean's** subsidiary **Air Jamaica**.

Bombardier Chief Executive Pierre Beaudoin said the company would deliver its CSeries jet in 2013. He said "We need to stay very close to our development program, but things are going well for delivery in 2013." The company has 90 firm orders for the new 110 to 145-seat CSeries. Another 90 are on option. Its customers include **Lease Corporation International, Lufthansa** and **Republic Airlines.**

Bombardier Aerospace delivered 244 executive and commercial aircraft in the fiscal year ending January 31, 2011. The company delivered 302 in the previous fiscal year. Sales improved in 2010. It netted 201 new orders, up from the meager 11 orders, net of cancellations, in 2009. **Bombardier** sold 74 business aircraft in the fourth quarter. It delivered 143 business jets in 2010, down from the 176 deliveries last year. Commercial aircraft deliveries also fell in 2010, to 97, compared to 121 for the previous fiscal year. **Bombardier** expects to deliver 150 business aircraft and 90 commercial aircraft deliveries for the calendar year 2011.

Bombardier January 31, 2011 Orders & Deliveries

CRJ	Total Orders	Total Deliveries	Current Backlog
Challenger	33	33	-0-
CRJ1/2/440	1,021	1,021	-0-
CRJ700	340	321	19
CRJ900	262	244	18
CRJ1000	49	9	40
Total	**1,705**	**1,628**	**77**
CSeries	**Total Orders**	**Total Deliveries**	**Current Backlog**
CS100	33	-0-	33
CS300	57	-0-	57
Total	**90**	**-0-**	**90**
Dash 8	**Total Orders**	**Total Deliveries**	**Current Backlog**
Q100	299	299	-0-
Q200	105	105	-0-
Q300	267	267	-0-
Q400	406	344	62
Total	**1,077**	**1,015**	**62**

Bombardier delivered 22 CRJs and 22 Dash 8s this quarter and 41 CRJs and 56 Dash 8s during the past fiscal year

Dniproavia, Ukraine ordered 10 EMBRAER 190s and optioned another five. The order is valued at $400 million ($40 million each) at list price and could reach $600 million if all the options are exercised. The first two E-190s are scheduled for delivery in the fourth quarter of 2011. The aircraft will be acquired by **Dniproavia** through a long-term lease from a third party. **Dniproavia** joined the **Ukrainian Aviation Group** in October 2010; the group was founded in early 2007, as a strategic alliance between **Donbassaero** and **AeroSvit. Dniproavia** will operate the E-190s for **AeroSvit. Dniproavia** already flies 25 ERJ-145s on its domestic and intra-European routes. The E-190s will be fitted with 104 seats in dual-class layout. All 10 airplanes will serve the alliance's domestic and international destinations mainly from their **Kiev Boryspil Airport** hub.

Embraer Chief Executive Frederico Curado said the company will wait to upgrade its E-Jets or launch a large-capacity, clean-sheet aircraft. "We have to wait until **Boeing** decides. After that, the

landscape will be clear," he said. After **Boeing** makes up its mind to re-engine the 737 or start work on an all-new narrowbody, **Embraer** will know which way to jump. An **Embraer** spokeswoman said Mr. **Curado "**always stated that **Boeing's** and **Airbus'** decisions would be an important factor in moving forward with any future plans for **Embraer's** airline products. Once we know what their decision is, we will then study our own options. At this point there is really nothing decided." The Brazilians may have to wait until the end of the year, because that is **Boeing's** self-stated deadline. The other major manufacturers, **Airbus** and **Bombardier,** already offer the next generation of turbofans on their planes. **Airbus** has 180 commitments for the A320neo and **Bombardier** has orders and options for 180 CSeries. Upstart **Mitsubishi** has 125 orders and options for its geared turbo fan-powered MRJ**.** The CSeries will beat everyone else into service with a 2013 delivery date. The MRJ is due in the first quarter of 2014, and the A320neo is due in 2015 or 2016. **Boeing** said it can have an all-new design flying by 2019/2020.

Trans States Holdings (TSH) signed a definitive Purchase Agreement for 50 Mitsubishi Regional Jet (MRJ) aircraft and optioned another 50 on December 27, 2010. **Mitsubishi Aircraft Corporation** announced **Trans States'** letter of intent to buy the MRJ in October 2009. **TSH** is based in St. Louis, Missouri and owns three independent airlines: **Compass Airlines, GoJet Airlines** and **Trans States Airlines.** The airlines offer feeder services for **Delta Air Lines**, **United Airlines** and **US Airways.** The other customer for the MRJ is Japan's **All Nippon Airways**, which has ordered 15 MRJs and optioned 10. **Mitsubishi** said, "Numerous other carriers around the world are expressing growing interest and enthusiasm for the MRJ." The MRJ regional jet will be powered by two fuel-efficient, next-generation **Pratt & Whitney** "PurePower®" geared-turbofan engines.

Sukhoi Will Decide whether to offer a larger or smaller model of the Superjet 100 in time to announce it at the **2011 Paris Air Show** in June. **Superjet International** chief executive **Carlo Logli** says **Sukhoi** is "more interested in a stretched version than a shrunk version." He said, "We would prefer to go up [130 seats] rather than down [75 seats] but the market will tell us. By **Paris**, we will make it clear to everyone." The **Aviadvigatel** PD-14 engine may be chosen for the possible Superjet 130.

The Sukhoi Superjet 100 Was Certified by the Russian **Interstate Aviation Committee Aviation Register (IAC AR). Sukhoi** said the Type Certificate "confirms compliance of the SSJ100 with the airworthiness regulations and it authorizes the commercial operation of the airplane." It was the culmination of "approximately 200 programs of static, fatigue and flight tests" using four prototypes in the flight test program and two prototypes for static and fatigue trials. The four jets flew 2,594 hours during 1,087 flights. The test aircraft completed a stringent certification program, which checked all the aircraft systems and the airframes well beyond the operational limits to make sure that the passenger airplane meets all the airworthiness directives. The European Union **EASA** certification is expected to follow in 2011, **Sukhoi** said. The company currently has 10 aircraft on the production line and plans to deliver 14 Superjets in 2011. The production rate will increase to 40 or 50 SSJs per year after three years and will rise to 60 or 70 once **Sukhoi** launches new members of the SSJ family. **Superjet International** lists 71 firm orders from international customers, while **Sukhoi** has 99 firm orders from domestic customers. The program recently lost two customers; **ItAli Airlines,** Italy, was the Western launch customer for the Superjet 100. It ordered 10 and optioned 10 in 2007, but it was dropped from **Superjet International's** firm order book because it is being restructured under new management. **Malev,** Hungary, is also under new management and is revisiting its letter of intent for 30 Superjet 100s.

Order Changes and Cancellations

Airbus Dropped Flyington Freighters Orders. The order for a dozen A330-200Fs was deleted in December. The change was announced in the ***Airbus Aircraft Orders, Deliveries and Operators*** data base in January. India's **Flyington Freighters** was the launch customer for the type when it ordered six A330Fs in 2007. The airline ordered another six later in the year; all 12 were to be fitted with **Pratt & Whitney** PW4170 engines. The airline was founded by **Deccan Holdings** and apparently folded before becoming operational in 2009. Apparently **Airbus** was cleaning up its order book when it erased **Flyington.**

US Airways switched one A319 and five A320 orders to commitments for six more A321s. The airline now has ordered 68 A319s, 63 A320s, and 84 A321s. The airline has taken delivery of 68 A319s, 28 A320s and 51 A321s.

Undisclosed Customer(s) switched five A320 orders to the A321 type.

Engine News

Thomas Cook Group chose **CFM International** CFM56-5B PIP engines to power the dozen A321-200s that it ordered in January. The A321s are scheduled for delivery in 2014. The engine order is worth more than $200 million at list price. **Thomas Cook** intends to lease CFM56-5B PIP-powered A320 Family aircraft from operating lessors as well. The new CFM56-5B engines will feature **CFM's** engine performance improvement package. The package will reduce engine fuel consumption by one-half of one percent and lower maintenance costs by one percent. **Thomas Cook Group** operates 45 A320 Family aircraft spread over its four airlines in Belgium, Denmark, Germany and the U.K. All but five of the A320s and A321s are powered by CFM56-5 engines. The CFM56-5B PIP is currently undergoing flight tests at **Airbus** and is scheduled for certification in the second quarter 2011, **CFM International** reported. The first engines will enter airline service in the third quarter of 2011.

AirAsia X, Malaysia, deferred delivery of three Airbus A330s this year. **AirAsia X** CEO **Azran Osman Rani** explained that the airline was consolidating and building up its balance sheet ahead of a possible public listing in the second half of 2011. **AirAsia X** currently operates 11 A330s and has 17 more on order for delivery from 2012 to 2017; it also ordered 10 A350s for delivery after 2017. **AirAsia,** the parent of **AirAsia X,** also deferred some **Airbus** deliveries; the airline delayed 10 A320s until 2015, the company said. **AirAsia** trimmed 12 A320s from the 2012 schedule. It will accept 12 A320s in 2012, and will boost the 2015 deliveries by 10 to 19. The other two A320s will be handed over in 2013 or 2014. The airline said it may switch some A320 orders to the new A320neo type. **Airbus'** contract gives **AirAsia** the flexibility to defer the aircraft without penalty.

Dubai Aerospace Enterprise (DAE) cancelled half its 737 orders in January. **Boeing** lost 32 737 orders valued at about $2.3 billion ($71.875 million each) at list prices. The Dubai state-owned leasing and services company retains 35 737 orders. **Dubai Aerospace** was founded in 2006. It hoped to become one of the world's biggest airplane lessors. At the **Dubai Airshow** in 2007, it announced orders for 70 A320 Family aircraft and 30 A350 XWBs, as well as 70 737s, five 747-8Fs, 10 777-300ERs and 15 787s, worth $27.2 billion at list prices. This is the second time **DAE** has reduced its commitment for new airplanes. Late last year, the company cancelled 18 A320s, seven A350s, 10 777-300ERs and 15 787s, worth $5 billion.

LAN Airlines cancelled three 767-300F orders in November and ordered three passenger 767-300ERs. The airline has taken delivery of eight 767-300Fs and 18 767-300ERs. It now has seven 767-300ERs on order for delivery by mid-2013.

Guggenheim Aviation Partners cancelled three of their six 777F orders in September. The freighters were ordered in 2006 and 2007. At the same time, an unidentified customer ordered three 777Fs. It was reported that the three 777Fs would be delivered to **TNT Airways** between July and December 2011. Apparently, **Guggenheim** transferred its 777F orders directly to **TNT.** In December, **Guggenheim** cancelled two 747-8Fs, SN 37132 & 37133, that were intended for lease to **Korean Air**.

Arik Air cancelled seven of its 17 737-800s in December; two 737s have been delivered and eight are on backlog. The airline also cancelled three of its five 777-300ER orders.

Vietnam Airlines changed its eight 787-8 orders to the -787-9 model.

Leasing Companies

International Lease Finance Corporation (ILFC) entered into 56 leases in the fourth quarter of 2010; it secured 259 lease commitments during the year. **ILFC** leased 10 737-700s to **Aerolineas Argentinas** and two 737-800s each to **AeroMexico** and **Norwegian Air Shuttle.** One 737-800 each was leased to **SpiceJet, Sun Country Airlines**, **Sunwing** and **T'way Air.** The lessor placed six 737 Classics to airlines, including two 737-300s to **British Midland International**, one 737-300 to **Global Aviation Services** and one 737-300 to **Boliviana**. One each 737-400 was leased to **Air Nigeria**, **Georgian Airways** and **Enter Air**. **ILFC** leased two 757-200s to **Anex Tour,** one 767-300 to **Nordwind** and one 777-200 to **Orenburg –** all based in Russia. **Aeroflot Russian Airlines** will lease four 787-8s and **Norwegian Air Shuttle ASA** will lease two 787-8s. **ILFC** leased 25 used A320 Family aircraft in the quarter; **British Midland International** leased seven A319-100s; **AeroGal** leased five A319-100s; **Brussels Airlines** leased two A319-100s and **S7 Airlines** leased one A319-100. **British Midland International** also leased two A320-200s from **ILFC.** The lessor placed three A320-200s with **Onur Air** and one A320-200 with **Interjet.** Russian airlines, **Ural Airlines** and **Vyborg Airlines,** leased three and one A321-200 respectively. **ILFC** leased four used **Airbus** widebodies, including two A330-200s to **Jet Airways,** one A330-300 to **Onur Air** and one A340-300 to **SriLankan Airlines**.

ILFC Orders Weighted Toward Widebodies. As of December 31, 2010, **ILFC** has outstanding orders for only one A320, five 737-700s and five 737-800s. It has 20 A350 XWBs and 10 A380s in backlog for delivery late in the decade. The leasing company is heavily invested in Dreamliners with 67 787-8s and seven 787-9s on order. The 104 widebodies will be delivered by 2019. **ILFC** has about 950 aircraft in its portfolio. The lessor intends to correct the imbalance and is talking with manufacturers about buying new narrowbody aircraft. Former **Airbus** executive **Henri Courpron** took over as **ILFC's** CEO, and he is looking to refill its stock of A320 Family aircraft and 737NGs, which are the workhorses of the global airline fleet. The lessor raised $14 billion in 2010, through the sale of used aircraft and from new financing. The company used the money to repay loans that its parent, **AIG,** borrowed from the **Federal Reserve Bank.** This does not leave much to buy hundreds of new airplanes.

Airline News

Airline Profit Is Not an Oxymoron Any More. United Continental Holdings saw strong revenue gains, but still posted a fourth-quarter loss from one-time charges associated with the merger of **United Airlines** and **Continental Airlines**. **United** posted a net loss of $325 million, which is higher than the combined loss of $266 million that **United** and **Continental** reported individually last year. The newly-merged company would have earned $160 million, were it not for the $485 million in merger costs. Revenue was up 15 percent from a year earlier and reached $8.4 billion. Increases in international, business and first class traffic helped to improve revenue. Unit revenue (revenue per passenger mile) from first and business class traffic was up 20 percent worldwide. **US Airways** reported a fourth-quarter profit, because in part, it is seeing a noticeable increase in corporate travel. Both airlines' unit revenue is forecast to rise from industry-wide domestic-fare increases and fuel surcharges on overseas flights. **US Airways** said its quarterly net income was $28 million; this was the first profitable fourth quarter since 2006. Its quarterly revenue grew by 11 percent to $2.9 billion. The company's full-year net profit rose to $447 million, excluding special items and was the second highest profit in its history. In the fourth quarter of 2009, **US Airways** lost $79 million and its loss for the whole year was $449 million. Most of the major domestic airlines are seeing profits in spite of sharply rising fuel costs. **Alaska Air** reported a record fourth-quarter net of $64.8 million, from revenues of $958.5 million. The airline earned $4.4 million in the fourth quarter of 2009. The company reported a record net income of $251.1 million in 2010, compared to $121.6 million in 2009. Its 2010 revenue was $3.832 billion, up 11 percent from the $3.4 billion in revenue in 2009. This was the company's seventh profitable year in a row. **Delta Air Lines** reported profits of $158 million, excluding special items in the fourth quarter. In the same period in 2009, it lost $225 million. The airline earned a net income of $1.4 billion, a number that included $851 million

Jackson Square Aviation (JSA) was founded less than a year ago and has already built a portfolio of 48 aircraft, valued at $2.2 billion. The lessor focused on sale/leasebacks of next-generation equipment so it did not have to wait for delivery of its inventory. The company's fleet includes 24 A320s, 21 737-800s, 2 A330-300s and 1 777-300ER. Some of the planes are scheduled for delivery through 2012. The average fleet age is less than one year old and the average lease terms extend through 2021, **JSA** said. Every aircraft has been placed with a lessee, since each plane was purchased from an airline and then leased back to the original owner. **Jackson Square** is financed by a mix of equity, commercial debt and warehouse lines and has more than $1.7 billion in total committed financing in place. **JSA** said it "currently has $510 million in committed equity from **Oaktree Capital** and its management team, over $700 million in warehouse facilities, and over $500 million committed from various banking partners for bilateral term financing." The company's primary shareholder is **Oaktree Capital Management. Jackson Square's** management team of **Richard Wiley, Toby Bright** and **Scott Weiss** all previously worked together at **Pegasus Aviation Finance Company**. The lessor intends to have more than 100 aircraft in its fleet by the end of 2011. During 2010, **JSA** closed 14 A319 and A320 sales and lease-backs with **Air Berlin, Avianca, easyJet, Virgin America** and **Wizz Air.** It also completed 10 737-800 sales and lease-backs with **Air Berlin, American Airlines** and **Shenzhen Airlines.** The lessor announced transactions for 10 A320 leases in 2011/2012 with one European flag carrier and a Latin American LCC. It will deliver two A330s to an Asian flag carrier and allocate one 777 to a European flag carrier in 2011. **JSA** will hand over eight 737-800s to two Asian flag carriers and one European LCC in 2011/2012.

in special items. Total operating revenue for the quarter was $7.8 billion, an increase of $1.0 billion, or 14 percent, when compared to the same period last year. Revenue for the year rose from $28.063 billion in 2009 to $31.755 billion in 2010. **Delta's** adjusted net debt at the end of the year was $15 billion — $2 billion lower than in 2009. **Delta** ended 2010 with $5.2 billion in unrestricted liquidity. **Southwest Airlines** posted higher earnings, which is no surprise, since this is the airline's 38th consecutive year of annual profits. It reported a net income of $131 million in the fourth quarter; in the same period of 2009, it earned $116 million. The profits in both periods were boosted by special items related to non-cash, mark-to-market, and other items associated with the company's fuel hedge portfolio. The net income for the year was $459 million, which was $360 million more than the $99 million it earned in 2009. **Southwest** produced record fourth quarter operating revenues of $3.1 billion; this was due in part to a noticeable increase in fares. The fares offset the 12.7 percent rise of fuel prices to $2.80 per gallon. Operating revenues for 2010 increased 16.9 percent to $12.1 billion compared to 2009's $10.35 billion. **American Airlines** reported a net loss of $97 million for the fourth quarter of 2010. The losses were exacerbated by a $28 million non-cash impairment charge, but the losses were ameliorated by a $35 million tax benefit; the airline lost $344 million in the previous fourth quarter. Were it not for a $71 million non-cash special item, **American** would have lost $415 million. The fourth quarter revenues rose 10.3 percent to $5.586 billion, up from the previous period's $5.063 billion. The airline lost $471 million in 2010, a vast improvement over 2009's loss of $1.5 billion. Revenues reported in 2010 rose to $22.17 billion, up 11.3 percent from last year's $19.917 billion. **American** had approximately $4.9 billion in cash at the end of 2010, unchanged from its cash holding in December 2009. It's long-term debt, capital lease obligations, the principal amount of airport facility tax-exempt bonds, and the present value of aircraft operating lease obligations, was $16.6 billion at the end of 2010; up $500 million from its total debt in 2009. The net debt was $12.1 billion as of December 2010, compared to $11.7 billion at the end of 2009.

The European Commission blocked the proposed merger of **Aegean Airlines** and **Olympic Air**. It charged that the combined carriers would monopolize the Greek air-transport market. The **European Commission** issued a statement saying, "The Commission's investigation showed no realistic prospects that a new airline of a sufficient size would enter the routes and restrain the merged entity's pricing." The **Commission** said, "Establishing a foothold in Athens was almost impossible" for a competing airline because the barriers to entry are too high. The two airlines offered to give up takeoff and landing slots at Greek airports, but these concessions were not enough to sway the **Commission.** The regulatory body has approved all other airline acquisitions, except **Ryanair Holding's** attempt to buy **Aer Lingus Group** several years ago. Both **Aegean** and **Olympic** are small and stuck in a shrinking market, as the Greek economy contracts. They proposed the merger a year ago, after the **Greek Government** subsidized then privatized the flag airline **Olympic Air**.

Etihad Airways, Abu Dhabi, said it was interested in buying a large share of **Virgin Atlantic Airways**. Neither party in the deal would comment, except **Virgin's** spokeswoman **Polly Durrant** said, "**Deutsche Bank** is working with **Virgin Atlantic** and **Virgin Group** to assess the current aviation market place and seek growth opportunities for **Virgin Atlantic.** This study is at a very early stage so there is no further comment to make at this time." **Virgin Atlantic** is 51 percent owned by **Virgin Group** and 49 percent owned by **Singapore Airlines,** since 2000. **Virgin** said it was interested in joining an alliance to increase its traffic.

All Nippon Airways (ANA) and First Eastern Investment Group formed a low-cost **ANA** affiliate named **A&F Aviation Co.; First Eastern** will own up to 33.3 percent of the carrier. Its owners will choose a new name for **A&F** before it launches operations later this year. The new airline will lease 10 A320s from **GE Capital Aviation Services;** the aircraft will be delivered over the next two years from **GECAS'** backlog. **A&F** will operate leisure flights to China, Hong Kong, Philippines, South Korea and Taiwan. The airline will be based in **Kansai International Airport** and hopes to grow its traffic to six million passengers within five years.

Senegal Airlines launched operations in January. The new national airline flies two leased A320-214s, SN 799 & 879, from Dakar to Burkina Faso, Gambia, Guinea, Ivory Coast, Mali and Mauritania. The airline replaces **Air Senegal International,** which ceased operations on April 24, 2009; the new airline is 36 percent owned by the **Senegal Government**. It will lease a third A320 in May. **Senegal Airlines** was founded in mid-2009 and signed a letter of intent to buy for two A330s and four A320s at the 2009 **Dubai Air Show**. The airline reopened negotiations on the $750 million deal with **Airbus** in an effort to lower the purchase price.

Spring Airlines, a Chinese budget carrier, will sell its shares on the Shanghai stock market. **UBS** will help with the planned initial public offering. **Spring Airlines** will fund its expansion from 17 aircraft to 100 by 2015.

IATA Posts Jet Fuel Prices. The organization updates its jet fuel price index weekly and shows the global average price paid for aviation jet fuel at the refinery. As of February 11, the average price of fuel was $2.80 per gallon, up 0.2 percent from the previous week. Jet fuel prices rose 5 percent from the previous month and were up by 42.8 percent from February 2010. **IATA** estimates that the price increases will add $38 billion to the global airline industry's total fuel costs. The organization forecasts that the industry will pay $113.4 billion for fuel in 2011; this is up $4 billion from the January 21 estimate.

Turk Hava Yollari (THY-Turkish Airlines) is ready to buy Serbia's state-owned **JAT Airways. THY** plans to form a new company and call it **Balkan Airways**. **THY** and **JAT** have been negotiating the deal since March 2010. That month Serbia decided to split **JAT** into two separate companies and put all the assets into one and all the debts into the second. **THY** will acquire the assets and leave the liabilities with the **Serbian Government. JAT Airways** currently operates nine **Boeing** 737-300s and four ATR 72-200s. **JAT** lost €16.5 million ($21.97 million) in 2009 and had to borrow €51.5 million in 2010. **THY** may take control of **JAT** as early as March 1. Serbia is being advised by **Deloitte LLP**.

Air New Zealand (ANZ) plans to buy up to 15 percent of the Australian low-cost carrier **Virgin Blue.** The flag carrier does not plan to boost its shareholding up to the 49 percent limit that was set by Australian law because **Virgin Group** in the U.K. already owns 26 percent of **Virgin Blue**. **ANZ** and **Virgin Blue** initiated a trans-Tasman alliance and the investment will further link the airlines. **Virgin Blue** sees the alliance with **ANZ** as a key part of the group's plan to build an international network, complementing its extensive domestic route system.

Horizon Air will drop its brand name and operate under **Alaska Airlines** titles and the Eskimo tail logo; the Dash 8 fleet will be repainted shortly. The planes will continue to have the Horizon logo on their fuselages. Most regional airlines have painted their planes in the colors of their airline customers. The

first "**Alaska**" Q400 will be debuted this month. **Alaska Air Group** bought **Horizon** in 1986, and has operated the airline as a separate brand since then.

Bankruptcy of the Month

Mesa Air emerged from Chapter 11 protection this month; the court approved its bankruptcy reorganization plan. **Mesa** and its **Freedom Airlines** subsidiary resolved litigation with **Delta Air Lines**. In 2008, **Delta** dropped **Freedom** from its **Delta Connection** commuter network. **Mesa Air** filed for bankruptcy on January 5, 2010, in order to make it easier to settle with **Delta** and to slash its fleet numbers. The airline also cancelled 10 outstanding orders for the **Bombardier** CRJ700. Now **Mesa** can retire more than 100 aircraft through lease cancellations and returns to financiers. The reorganization eliminates about $700 million in lease obligations and $50 million in debts from **Mesa's** books. It will be reconstituted as a private company and issue new notes, common stock and warrants to its creditors. **Mesa** currently operates 76 aircraft for **US Airways Express** and **United Express.**

Mandala Airlines Finds Suitors. An agribusiness, property and financial services conglomerate **Sinar Mas Group,** and **LCNC,** a Hong Kong-based aircraft leasing company, are each looking at buying the debt-ridden and now-defunct Indonesian airline **Herry Bhakti Singayuda,** Indonesia's director general for aviation said, "The talks are ongoing and **Mandala** will report to the government next week on who will be the new owner." **Mandala** served 13 domestic destinations before it ceased operations on January 13.

Alliances

Middle East Airlines-Air Liban (MEA) to Join SkyTeam. The Lebanese flag carrier will sign an agreement at the end of this month to officially start the process of joining **SkyTeam** in 2012. **SkyTeam** said it "is actively working to strengthen its presence in the Middle East, one of the world's most important economic regions. **MEA** will be a valuable addition to the alliance by offering customers increased access to the Middle East and Western Africa." **MEA** started the quest for full membership in 2004, and the process was delayed several times. Since then, **MEA** improved its services, modernized its fleet and restructured the airline. In January, **SkyTeam** welcomed **Saudi Arabian Airlines** as its first Middle Eastern airline member.

Avianca-TACA, Copa Airlines and United-Continental Begin Code-Sharing on April 1**.** The Latin American airline groups will join the **Star Alliance** in early 2012. Until then, the five airlines will code-share on flights and offer frequent flier reciprocity. **TACA** has code-shared with **United** since 2006, and **Copa** had a comprehensive code-share with **Continental** for ten years**. Avianca** merged with **TACA** in early 2010. **Copa** launched a Colombian subsidiary. Now these four Latin competitors will start code-sharing with **United Continental** and with each other. The code-shares will include routes between the U.S. and Latin America and within Latin America.

Cargo Pallet

Aeronautical Engineers, Inc. (AEI) landed its first customer for a Boeing 727 cargo conversion in six years. The undisclosed customer contracted **AEI** to modify a 1981-model 727-200 Adv into a 12-pallet freighter. **AEI's** Miami-based sister company **Commercial Jet** is doing the touch work. Vice President for Sales and Marketing **Robert Convey** said, "The 727-200SF freighter continues to attract attention from operators around the world who are looking for a proven workhorse. We continue to receive

inquiries for our 12-pallet 727-200SF and expect to convert up to three 727-200SF aircraft in 2011." **AEI** performed 223 conversions from 1990 to 2005.

International Air Transport Association (IATA) reported that global air freight grew by more than 20 percent in 2010. This was seen as a sure sign of economic recovery. Director-General **Giovanni Bisignani** said, "The challenge is to turn the demand for mobility into sustainable profits," because airlines carried greater volumes than in 2008, but their average profit margin was only 2.7 percent. The freight volume actually dropped 5 percent from a peak early last year. Passenger demand exceeded the pre-recession level, but it too suffered a drop due to severe weather in Europe and North America late in the year. Demand for air cargo was 6.7 percent higher in December than a year earlier. This followed a 5.4 percent increase in November; cargo traffic rose by 20.6 percent over the year. Approximately 30 percent of world trade, measured by value, is shipped by air. **IATA** estimates that freight demand will grow at about 5 to 6 percent. It also forecast that airlines will make a cumulative profit of $9.1 billion this year.

Military Market

Boeing Delivered the Seventh C-17A to the Royal Air Force in November; it was ordered in December 2009. The first **RAF** C-17 was delivered in May 2001. **Boeing** announced it will deliver 13 C-17 Globemaster III airlifters in 2011; it delivered 14 C-17s in 2010. The company reduced its production rate to 10 C-17s per year in 2012. **Boeing** will lay off approximately 1,100 employees by the end of 2012; the company is eliminating the second shift at the C-17 final assembly line in Long Beach. The production slowdown is designed to keep the C-17 line open past 2012, allowing **Boeing** to win more international orders, possibly from India and Kuwait. **Boeing** delivered 226 C-17s to date, including 20 to international customers and 206 to the **U.S. Air Force.**

U.S. Navy ordered six P-8A aircraft, with related spares, logistics and training devices. The low-rate initial production (LRIP) contract is worth $1.6 billion. The **Navy** plans to purchase 117 of the 737-based P-8A anti-submarine warfare, anti-surface warfare, intelligence, surveillance and reconnaissance aircraft to replace its P-3 fleet, **Boeing** said. The first operational P-8As will enter service in 2013. **Boeing** said it "will begin final assembly of the first LRIP aircraft at its Renton, Washington, facility this summer. The Poseidon team is using a first-in-industry in-line production process that draws on **Boeing's** Next-Generation 737 production system. All P-8A-unique aircraft modifications will be made in sequence during fabrication and assembly." This means that the P-8As will be manufactured on the civil production line, but will be built to military specifications. "The in-line approach we've incorporated on this military derivative aircraft is already paying the dividends we expected by helping us improve efficiency and reduce costs," said **John Pricco**, **Boeing Commercial Airplanes P-8 Program** manager. **Capt. Leon Bacon,** P-8A deputy program manager for the **Navy,** said, "This first production contract represents a significant commitment by the **U.S. Navy** to recapitalize its force of long-range maritime patrol and reconnaissance aircraft. Ensuring that this capability arrives on schedule and within budget remains our primary objective." To date, **Boeing** has had trouble keeping its military programs on budget and on time. The Italian and Japanese KC-767 programs were late and over budget. The **Royal Australian Air Force** 737 AEW project is also several years late.

The Indian Air Force (IAF) will choose between the **European Aeronautic Defense and Space Company (EADS)** A330 MRTT (Multi Role Tanker Transporter) and **United Aircraft Corporation (UAC)** Il-78 Midas aerial tankers. The contract for six tankers was given to **EADS,** but was cancelled in early 2010. The **Indian Government** quashed the deal because the A330 MRTT was too expensive. Both manufacturers responded to a September 2010 request for proposals, but **Boeing** missed the January 12 deadline to submit a bid. **Vivek Lall**, vice-president, **Boeing Defense, Space & Security, India,** said, "Only upon the outcome of the KC-X competition will we be able to fully determine our ability to participate in future international competitions." **Boeing** essentially walked away from a possible $2 billion contract that could have been filled with its current 767-200ER-based KC-767. The **IAF** already operates six Russian Il-78 aerial tankers, but it was not happy with the low level of after-sales service and support that **United Aircraft** provided. **EADS** said it could deliver the first A330 MRTT within three years of signing the contract. The sixth plane would be finished 15 months later. The current A330 MRTT is similar to, but not identical to, the airplane **EADS** is offering to the **U.S. Air Force.** In May 2009, ***RIA Novosti***, Russia, said the **Indian Government** "dropped Russia from a $1 billion tender to supply six aerial tankers for the **Indian Air Force** due to poor after-sales maintenance services." The **IAF** asked for proposals in 2006 and chose the A330 MRTT in 2009, but the contract was not approved by India's **Cabinet Committee on Security (CCS)** due to its price, which apparently was twice the cost of the Il-78. Ironically, India will buy two more **United Aircraft** Il-76-based A-50EI airborne warning and control system (AWACS) aircraft, the ***Times of India*** reported. India ordered three A-50EIs fitted with Israeli-made Phalcon radar systems in 2004. It received the first A-50EI in May 2009, the second in March 2010, and the last one in late 2010. The A-50 is comparable to the **U.S. Air Force's** E-3 Sentry, which is not being built any more. The A-50 is fitted with an aerial refueling system and electronic warfare equipment and can detect targets up to 250 miles away. The U.S. now offers the 737 AEW&C airborne early warning and control aircraft, which was purchased by Australia, South Korea and Turkey. It is based on the 737-800 airliner, as is the **Indian Navy's** P-81 long-range maritime reconnaissance aircraft. India bought six P-8Is and it bought three ERJ-145s from **Embraer** for use as an AWACS aircraft. The $208 million deal was signed in 2008. The three **Embraer**-built ERJ-145s will have Indian-designed radar and communications links installed. All three will be delivered by the end of 2011.

Boeing Finally Delivered the First Boeing KC-767A Tanker to the **Italian Air Force *(Aeronautica Militare)*** on December 29. A second tanker will be delivered in several months; it is undergoing acceptance trials at **Boeing's** Wichita facility. The first of four **Italian** KC-767s will be placed in service after a series of test flights conducted by the air force; the program is six years late. The Italian planes were ordered in 2002, and were originally due for delivery in 2005. The KC-767 suffered from technical issues due in part to a buffeting caused by the under-wing hose-and-drogue refueling pods. The similar **Japanese Self-Defense Forces'** four KC-767s are equipped with only the "fifth generation" centerline refueling boom. Japan ordered the KC-767s in 2003, and they were delivered between February 2008 and January 2010. The KC-767 is based on the 767-200ER airframe. It can carry either passengers or freight on its main deck, or can carry both in combi configuration. The tanker-transport that **Boeing** is offering to the **U.S. Air Force** is a new design that features the fuselage of the 767-200 with the wings and cargo door of the 767-300F and the digital flight deck of the 767-400ER. It will be powered by **Pratt & Whitney** PW4062 engines and equipped with a "sixth generation" boom.

Lockheed Martin announced that the fifth C-5 entered the **Reliability Enhancement and Re-engining Program (RERP).** It is being modified into the much-improved C-5M Super Galaxy strategic airlifter. The completed C-5M will be re-delivered to the **Dover Air Force Base** later this year.

Germany to Sell Some of its A400Ms. The **Luftwaffe** originally ordered 60 A400M military transport aircraft, but it converted seven firm orders into options last year. Now **Juergen Koppelin**, a member of the **Free Democrats** party, announced the government will sell 13 A400Ms to cut costs. Germany can no longer afford all 53 A400Ms it has on order. The Germans also scaled back its requirement for special technology to cut costs further. Germany will be competing with **EADS** for customers for the A400M. The first A400M flew in December 2009; the program is plagued by delays and cost overruns, so the launch customers had to agree to pay another €2 billion ($2.7 billion) to cover **EADS'** costs. The A400M program will cost €20 billion ($27 billion) and is four years behind schedule.

The Israeli Defense Forces (IDF) got tired of waiting for the **U.S. Air Force** decision on whether to buy the KC-767 or KC-330. It intends to buy similar aircraft to replace its fleet of **Boeing** 707 aerial refueling tankers. Due to the delays, the **IDF** bought another 707 and will have **Israel Aerospace Industries Bedek Aviation** convert it into a 707 "Reem" air tanker. The **IDF** converted several 707s in the last few years. This will probably be the last contract for a 707 modification. The new plane will feature an Israeli-made boom and a new **Honeywell** cockpit avionics suite, new communications equipment, and a global air traffic management system. **Israel Aerospace Industries** has been modifying **Boeing** aircraft into tankers since it converted several civil Boeing 377 Stratocruisers into tankers in the early 1960s. **IAI** currently offers its own 767-200 tanker transport and delivered the first one to the **Colombian Air Force** late last year.

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Airbus forecast that it will sell 400 A400M military transport planes over the next 30 years. **Didier Vernet**, the head of market development, sees a global demand for 800 military cargo planes, because "There are a lot of old aircraft to replace," he said. He expects countries will phase out their **Lockheed Martin** C-130s and **Boeing** C-17s in the next three decades. **Airbus** expects to win half of the market share. Mr. **Vernet** said Middle Eastern and North African countries will buy 50 to 100 airplanes. Sales have stalled at 174 units from eight launch customers; business should pick up after the first planes are delivered in the middle of the decade. **EADS** started serial production of the A400M in January.

AIRCRAFT DELIVERIES & SALES

Jet Aircraft

A318 & A319. Only one A319 was delivered in January; **LAN Airlines** accepted -132 (SN 4563). **GECAS** leased 10 ex-**Mexicana** A318s to **Avianca** and the first (-111, SN 2328) was delivered in January.

A320. **Airbus** delivered two -214s (SN 4554 & 4556) to **easyJet. GE Capital Aviation Services (GECAS)** leased one -214 (SN 4559) to **Virgin America** and the airline leased -214 (SN 4558) from **Aviation Capital Group (AVG). Virgin America** plans to grow its fleet by two-thirds by the end of 2011, and will triple its fleet by 2016. The airline currently operates 10 A319s and 26 A320s. **GECAS** leased the 12th of 15 -214s (SN 4564) to **Saudi Arabian Airlines.** The first of the batch was delivered in November 2009 and all the A320s come from **GECAS'** existing order book. **Star Flyer** leased -214 (SN 4555) from **GECAS**; the Japanese airline now operates five -214s. It leases one from **ILFC** and one from **GECAS** and acquired three from **Airbus**. **Air Arabia** received two -214s (SN 4539 & 4568); the airline has taken delivery of four of the 44 A320s it ordered and it leases another 23 from leasing companies. **BOC Aviation** leased -232 (SN 4543) to **LAN Airlines** and -214 (SN 4579) to **Aeroflot. Airbus** delivered -214 (SN 4429) to **Juneyao Airlines** and -232 (SN 4435) to **Shenzhen Airlines** in China. **China West Air** leased its first -232 (SN 4569) from **Aerventure. CIT Leasing** leased -232 (SN 4548) to **Spirit Airlines** and **Frontier Airlines** leased -214 (SN 4562) from **AWAS. Airbus** delivered the first of 51 A320-232s (SN 4553) to **Aircraft Lease Corp. (ALC),** which leased it to **Air New Zealand.** The plane is painted black as a tribute to the New Zealand **All Blacks** rugby team. **ALC** ordered 31 A320s and 20 A321s at the 2010 **Farnborough International Airshow**. **ANZ** has another 13 new A320s on order for delivery over the next five years. **Thai AirAsia** received -216 (SN 4557) and **Cebu Pacific** took delivery of -214 (SN 4574). Four A320s were delivered to European airlines: **British Airways** received -232 (SN 4551), **Aer Lingus** took -214 (SN 4572), **Niki** accepted -214 (SN 4581) and **Air Berlin** bought -214 (SN 4565). **Air Berlin** sold and leased-back two -214s with **Volito Aviation Services** in December and will lease them until June 2012. **Volito** manages the planes on behalf of **VGS Aircraft Holding (Ireland)** and its wholly owned subsidiary **Olbia Limited.**

Vueling will sublease six A320s from **Iberia** from April to December. The flag carrier owns 45 percent of the Spanish low-cost carrier. **Iberia** acquired the A320s on operating leases and will paint them in **Vueling** colors. **Iberia** will hand over some of its domestic and international routes from Madrid to **Vueling.** The eight month contract is seen as a test program and it may not be renewed.

GECAS will purchase and lease-back four new A320s with **AviancaTACA**. The A320s will come from **AviancaTACA's** existing order book. Each airline will operate two of them.

Turkish Airlines will to lease two A320s from **Crescent Leasing**. The first was delivered in February and the second A320-200 will arrive in March. The flag carrier intends to grow its 153-plane fleet to 175 aircraft by the end of the year.

A321. **Saudi Arabian Airlines** took delivery of its second and third -211s (SN 4542 & 4577) in January, while **Lufthansa** received -231 (SN 4560). **Air Berlin** will sell and lease-back one new -211 with **Volito Aviation Services** in May. **Volito** will manage the A321 on behalf of **VGS Aircraft Holding (Ireland)**.

A330 & A340. **Airbus** delivered four A330-343s in January: **Saudi Arabian Airlines** took delivery of its seventh -343 (SN 1189), **Swiss International Air Lines** accepted -343E (SN 1188), and **Air China** received its fourth -343 (SN 1187). **Hong Kong International Leasing** leased -343 (SN 1190) to **Hainan Airlines;** it is the airline's third -343. **Airbus Military (MTAD)** took delivery of -243 (SN 1186) for conversion into an MRTT-tanker transport; it will be re-delivered to the **United Arab**

Emirates Air Force. GECAS bought and leased-back two new A330-200s with **Avianca;** the airline had the A330s on order from **Airbus**.

A380. **Airbus** delivered two A380-842s (SN 50 & 55) to **Qantas** in January, raising the airline's fleet to nine A380s. **Airbus** said it will deliver six or seven A380 to **Emirates** this year. The biggest customer for the A380 has ordered 90 of the type and has 15 in service as of January 31.

BAe-British Aerospace. **Romavia** ended commercial operations in October; its two BAe 146-200s (SN E2062 & E2227) were returned off-lease to **BAE Systems** in November. **East African Safari Air Express (EASAE)** suspended operations temporarily, the airline said. **EASAE** returned its two BAe 146-200s (SN E2044 & E2046) to lessor **Allegiance Air**, South Africa. The Kenyan airline replaced its DC-9s with the BAe 146s in August and September, but the new equipment came too late to stop the airline's decline. BAe 146 (SN E2044) was leased to **Comores Aviation International** in November. **Heritage Air**, Malaysia, began BAe 146-200 operations with SN E2031; the airplane was wet-leased from **Lionair** in Subic, Philippines, in December. **Heritage Air** will acquire a second BAe 146 this year. **Jagson Airlines**, India, purchased Avro RJ85 (SN E2299) in December; it is fitted with 80 seats and entered service early this year. **Titan Airways,** a U.K.-based VIP charter airline, added Avro RJ100 (SN E3373); it currently operates 12 aircraft out of **Stansted Airport**. The RJ100 will be operated for the **Ministry of Defense** and will carry passengers and freight in the Gulf region.

Aircastle Limited delivered the first of six A330-243s (SN 1191) to **South African Airways (SAA).** The airline will receive the other five Trent 772B-powered A330s this year. **Aircastle** said debt financing was arranged and provided by **Sumitomo Mitsui Banking Corporation** and supported by a guarantee from **Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE),** the French export credit agency. The interest rate on the debt is 3.78 percent per annum and the loan will be repaid over twelve years. The A330 will seat only 36 passengers in business class and 186 in economy. It joins a fleet of 11 A319s, 14 A340-200/300s and nine A340-600s.

The Tunisian Government is offering deposed dictator **Zine El Abidine Ben Ali's** A340-500 (SN 902) for sale; the airplane was delivered in November 2009. Tunisia bought the plane after **Kingfisher** cancelled its order for A340-500s. **Sabena Technics** is currently installing the VIP interior. However, the government may have a hard time getting its money back. The market for plush widebodies may be in trouble because of the political upheaval in the Middle East.

Boeing 737NG. **Boeing** delivered 22 737s in January. Eight -8AS/Ws (SN 35037, 35038, 35041, 40300, 40301, 40302, 40303 & 40304) went to **Ryanair.** The **U.S. Air Force** received its ninth C-40 transport aircraft (-7DM/W SN 40706) and the **U.S. Navy** took delivery of its seventh -8FVERX/P-8A (SN 40595) anti-submarine aircraft. It has seven more on order. **Alaska Airlines** received two -890/Ws (SN 35201 & 35202); the airline has 57 -800s in service and 13 more -800s on order. **Boeing** delivered one -846/W (SN 40350) to **Japan Airlines/JAL Express** and one -8JP/W (SN 39045) to **Norwegian Air Shuttle**. Both airplanes were sold to **Jackson Square Aviation (JSA)** and leased-back. These are the first new **Boeing** airplanes to be financed by the San Francisco-based company; **JSA** will finance 11 new **Boeing** airplane deliveries this year. **Flydubai** accepted its 11th -8KN/W (SN 40241); the airline leases three -800s from leasing companies and has 39 -8KN/Ws on order. **TUI Travel plc** received -8K5/W (SN 37248) and leased it to **Thomson Airways**. **ILFC** leased -8Q8/W (SN 38819) to **XL Airways France. RBS Aviation Capital** leased -8U3/W (SN 39920) to **Garuda Indonesia**. **Pegasus**

Airlines, Turkey, took delivery of its 15th -82R/W (SN 40720). **WestJet Airlines**, Canada, received -7CT/W (SN 40338) and leased -7CT/W (SN 38096) from **Aviation Capital Group (ACG). Air China** accepted its first -89L/W (SN 40015) fitted with the new Boeing Sky Interior. It is the first Chinese airline to offer passengers "an enhanced onboard experience with larger stowage bins and sculpted sidewalls, a LED lighting system with cove lighting and curved architecture and more intuitive passenger service units," **Boeing** said. To date, 60 customers have ordered the new Sky Interior for 1,689 airplanes. The **flydubai, TUI** and **Norwegian** airplanes also feature the Sky Interior

Boeing 747. **Southern Air** will replace some of its 14 747-200/300 freighters with 747-400SF special freighters this year. The cargo airline contracted to lease two newly converted -400SFs this year and will lease three more in 2012. The airline is trying to source a third -400SF for delivery in 2011, and a fourth aircraft for 2012. **Southern** plans to replace many of its 747 freighters by 2014; it currently leases two 777Fs from **Oak Hill Capital** and it has four more on order. The 777Fs will be used to expand services and not to replace the 747s.

BAE Systems Asset Management placed 52 aircraft in 2010, including 45 BAe 146/Avro RJ regional jets; it placed 44 aircraft in 2009. Last year, **BAE** sold two BAe 146s to **Cobham Aviation Services**, Australia, one BAe 146-200 to **Aerolineas Star Peru**, and one Avro RJ100 to **Titan Airways**. A further two BAe 146-200s (SN E2106 & E2115) were sold for conversion into aerial fire fighting water-bombers. Forty-one aircraft were placed with passenger airlines. One BAe 146QT (Quiet Trader) freighter reentered the cargo market and one Avro Business Jet joined the corporate aviation market also one aircraft was converted into a BAe 146M military transport. **BAE Systems** placed seven Jetstream 32 and J.41 turboprops with regional airlines. Recently, two Jetstream 32s were sold to **Air National,** New Zealand.

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Boeing 767. **All Nippon Airways** accepted its 27th -381ER (SN 40566) in January and it has six more on order. **Boeing** rolled out its 1,000th 767 on February 2; the plane, a -381ER, will be delivered to **ANA** in March. **Cargo Aircraft Management** long-term leased a 767-200SF freighter to **RIO Linhas Aéreas, S.A**., Brazil; **CAM** will lease a second -200 freighter to **RIO** later this year. **RIO** will operate the -200SF on its routes within South America, and from Brazil to Miami.

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Boeing 777. **Boeing** delivered 777-39MER (SN 37434) to **Air France** in January; the airplane was leased to **Air Austral**. **Ethiopian Airlines** received its third of five -260LRs (SN 40772). **Turkish Airlines-THY** accepted its sixth -3F2ER (SN 40711) and has six more on order.

Bombardier delivered two of three CRJ900 NextGen regional jets (SN 15261 & 15262) to **Estonian Air** in January. The airline optioned two additional CRJ900s when it placed the order in 2010. **Estonian Air** will use the aircraft mainly on high-demand business routes. **Lufthansa** accepted SN 15259 in December and SN 15260 in January and leased both planes to **Eurowings. American Eagle** took delivery of three CRJ702ER NGs (SN 10318, 10319 & 10320). **Air Nostrum** received three CRJ1000 NGs (SN 19005, 19008 & 19011) and **Brit Air** accepted three CRJ1000 NGs (SN 19006, 19007 & 19009) in January.

Embraer. **Airstream International** placed ex-**Flybe** ERJ-145 (SN 145300) with **bmi Regional**. This was the fifth aircraft that **Airstream** placed with **bmi.** Previous placements included the sale of an ERJ-135 and ERJ-145, the lease of an ERJ-145 and an ACMI lease of a 767-300ER. **Harbin-Embraer** delivered two ERJ-145s (SN 14501065 & 14501068) to **Tainjin Airlines** in November and December 2010, respectively.

Embraer delivered EMBRAER 190-190 LR (SN 19000406) to **Tainjin Airlines** and E-195 (SN 19000407) to **Azul Linhas Aereas** in January. **Trip Linhas Aereas** acquired two ex-**Baboo** E-190s (SN 19000178 & 19000189).

Turboprops

ATR. **Israir,** an Israeli regional carrier, is buying two ATR 72-500s for delivery this spring; the two planes are valued at $17.5 million each. They will be deployed on domestic routes. Four ATR 72-500s (SN 950, 951, 952 & 953) were seen on the production line and are painted in **UTAir** color schemes. The airline apparently has two more on order. So far, **ATR** has not announced the sale. **Taimyr Air** is believed to be the customer for four ATR 42-500s and three options that **ATR** has listed as "undisclosed". **ATR** delivered ATR 72-500 (SN 826) to **Fly540**, Angola in late 2010. **Wings Abadi Airlines** took delivery of -500 (SN 937) and **Firefly**, Malaysia received -500 (SN 941) in January.

SkyWest Airlines will operate five CRJ700s for **Alaska Airlines. SkyWest** is subleasing the five CRJ700s from **Alaska's** regional unit **Horizon** for five to six years, equaling the outstanding time remaining in the leases. **Horizon** is phasing out its 13 CRJ700s during the first half of this year and is replacing them with an all-**Bombardier** Q400 fleet. The airline will take delivery of eight new Q400s, giving the carrier a fleet of 48 Q400s. **Horizon's** other eight CRJ700s will be leased or subleased to other U.S. regional carriers. **SkyWest** will operate the five CRJ700s on several **Horizon** routes between California and Pacific Northwest. These routes are too long for **Horizon's** Q400s and too thin for **Alaska's** mainline 737s. With this contract, **SkyWest** becomes **Alaska's** second regional partner.

Fairchild F-27 For Sale

1959 era F-27A cargo turboprop, serial number 11. Not flyable at this time, run out engines, has log books. Airplane is good for parts, museum display or coffee shop. Once operated by Horizon Air, currently owned by the Museum of Mountain Flying, Missoula, MT.
Contact: **Jim Beyer** at (406) 274-3521 or e-mail: mrmotomontana@msn.com

Bombardier delivered Dash 8Q-402NG, SN 4302, to **Air Baltic** and two -402NGs (SN 4322 & 4325) to **Heli Malongo**, Angola in January. **Pinnacle Airlines** accepted four -402NGs (SN 4341, 4342, 4345 & 4346) last month; the planes were sold to **Colgan Air**. **Sunstate Airlines**, Australia received -402NG (SN 4343), **Horizon Air** took delivery of two -402NGs (SN 4347 & 4348) and **Flybe** accepted -402NG (SN 4344).

Viking Air delivered new Twin Otter-400 (SN 845) to **Zimex Business Aviation** and SN 846 to **Air Seychelles** in January.

Antiques and Other Junque

Kellstrom Commercial Aerospace is parting out two ex-**Northwest** 757-251s (SN 23197 & 23202) and three ex-**American** A300-605Rs (SN 459, 460 & 463) at its facility at Miramar, Florida. **Northwest** retired the 1985-model 757 (SN 23197) in October 2008. The 757 (SN 23202) was 24 years old and remained in service until it was sold to **Kellstrom** in January. **American** retired its 1988-model A300s in late 2008. **Kellstrom** broke all five airplanes into components by the end of February.

Universal Asset Management (UAM) purchased ex-**Mesa Airlines** CRJ-200 (SN 7154) and will disassemble it.

The U.K. Government Scraps New Nimrod MRA4 Maritime Patrol Aircraft. After investing more than £4 billion ($6.38 billion) the government cancelled the 15-year-old MRA4 program. A **Unite** union representative at **BAE Systems** called the scrapping an act of "barbaric vandalism." The **BBC** aired footage of an excavator crushing three airframes in January. The Nimrod MRA4 program was ill-starred from the beginning. In 1996, the government chose to update the 1940s **de Havilland** Comet airliner design as the platform for its 21st Century maritime surveillance aircraft. The government could have bought the off-the-shelf **Lockheed Martin** P-3 Orion, which was based on the 1950's-era **Lockheed** L188 Electra turboprop, or it could have installed a new electronics suite into a more modern **Boeing** 767-200 or **Airbus** A330-200. Unfortunately, the government decided to "keep jobs in Britain" and placed a fixed-price development and production contract for 21 Nimrods with **BAE Systems.** As costs rose and the program was delayed, the number of planes to be acquired shrank to 18, then to 12, and finally to nine aircraft. The Nimrod MRA4 was similar to previous Nimrod MR2 surveillance aircraft so the government expected to benefit from fleet compatibility. The first MRA4 flew in August 2004, and was followed by two more development aircraft; the three planes flew approximately 1,900 hours. The first of nine production MRA4s flew in September 2009, and the second one flew in March 2010. It is not clear which airplanes were crushed. At least the **Ministry of Defense** stripped the **Rolls-Royce** BR710 turbofan engines and avionics before destroying the airframes. Now that the program has been killed, three former U.K. defense chiefs complained the decision to scrap the MRA4 Nimrods to save money was "perverse" and could cause serious long-term damage to the country's interests. Scrapping the nearly finished program leaves the country exposed to threats from

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The Boeing 247 First Flew on February 8, 1933. The twin-engined, monoplane is considered the first modern airliner. It featured all-metal construction and retractable landing gear, unlike the contemporary **Fokker, Ford** and **Junkers** tri-motors, which had fixed gear. The U.S. **Aeronautics Branch** awarded the type certificate for the 10-passenger 247 on March 16, 1933. It entered scheduled airline service with **Boeing Air Transport (United Airlines)** on March 30, 1933, a mere 50 days after the first flight; **Boeing** sold only 75 247s. The plane was quickly surpassed by the larger, 14-passenger **Douglas** DC-2, which flew one year after the 247.

Russian submarines and smugglers. Now the government does not have any surveillance aircraft to replace the older Nimrods MR2s that were retired in March 2010. The **Ministry of Defense** will use C-130 Hercules and helicopters to partially fill the gap. Perhaps it can buy some new **Boeing** P-8A patrol planes for about $3.2 billion per dozen, but some senior officials called the American airplane "inferior" according to the ***Daily Telegraph.*** The government said it will save £2 billion ($3.19 billion) over the next decade, but it lost some 1,200 high paying jobs, not to mention the use of airframes that had a 40 or 50 year lifespan. Army Major-General **Julian Thompson** complained that it will cost £200 million ($319 million) to junk the planes and pay compensation to **BAE Systems**; **BAE** guessed it would have cost £200 million to make all nine aircraft airworthy. Perhaps what is most shocking was the finality of the government's decision. The U.K. could have mothballed the airplanes and production tooling. Now three planes have been crushed like discarded beer cans and the rest will meet a similar fate.

Accidents and Safety

*From **Aviation Safety Foundation***

Two Let L-410 Accidents on Valentines Day. An **African Air Services Commuter** Let L-410 cargo plane crashed at Mont Biega, Democratic Republic of the Congo, on February 14. The two crew members were killed. **Central American Airways - CAA** Let L-410UVP-E20 (HR-AUQ, SN 912603) crashed in a forest near Cerro de Hula, Honduras, while flying between San Pedro Sula and Tegucigalpa. All 12 passengers and two crew members on board were killed.

Sabang Merauke Raya Air Charter CASA/Nurtanio NC-212-A4 Aviocar 100 (PK-ZAI, SN 120/18N) crashed on Bintan Island, Indonesia, on February 12. The plane was operating a test flight to **Tanjung Pinang-Kidjang Airport** after one of its engines was changed. The two crew and three technicians were killed.

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Manx2 Swearingen SA-227BC Metro III (EC-ITP, SN BC-789B) crashed on landing at **Cork Airport**, Ireland on February 10. The two crew members and four of ten passengers were killed. The aircraft was making its second landing attempt when it crashed adjacent to a taxiway, flipped over and burned.

Fuerza Aérea Ecuatoriana de Havilland Canada DHC-6 Twin Otter 300 (FAE449, SN 834) crashed near El Capricho while in route to **Tena Airport** in the Ecuadorian Amazon region on January 20. All six occupants were killed.

Fly540 F.27 Mk500 (5X-FFD, SN 10530) aborted its takeoff and overran the runway at Nairobi, Kenya on January 27. The nose gear collapsed and the plane may be written off.

Africa Air Charter Boeing 737-2T5 (ZS-SGX, SN 22396) backed off the runway at Hoedspruit Airport, South Africa and was substantially damaged. The pilot missed a taxiway at night and ran the plane into the bush on January 10. The 30-year-old plane was leased from **Safair.** It may be written off, due to its age.

AirAsia Airbus A320-216 (9M-AHH, SN 3427) landed at **Kuching Airport**, Malaysia, during a heavy rain on January 10. The plane skidded off the side of the runway and the nose gear collapsed. None of the 129 people on board were seriously injured.

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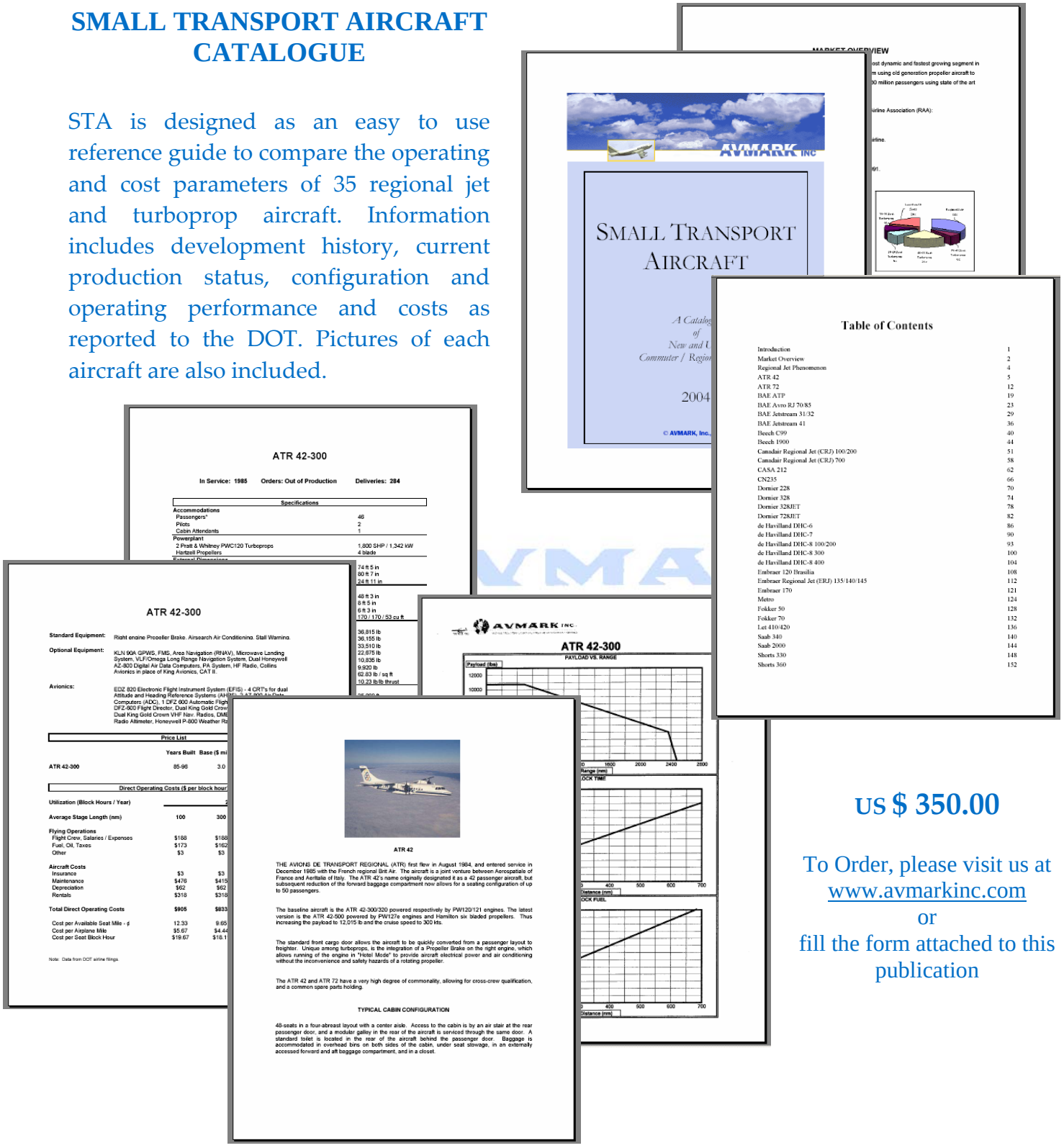

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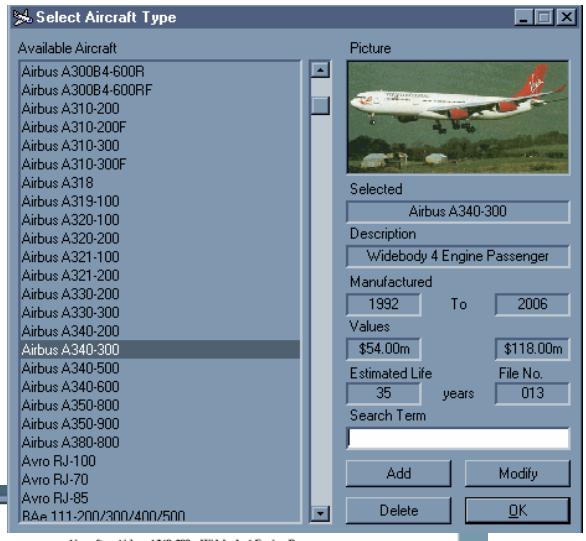

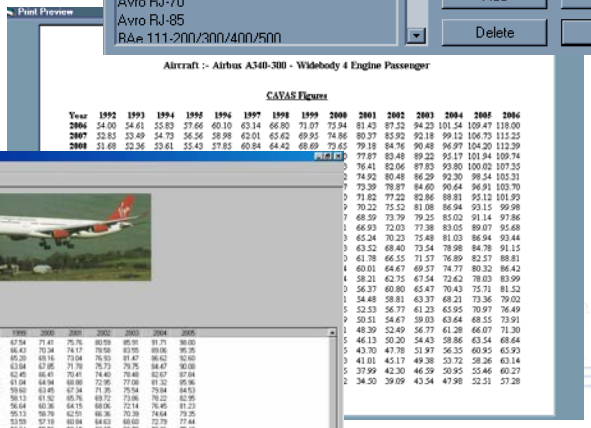

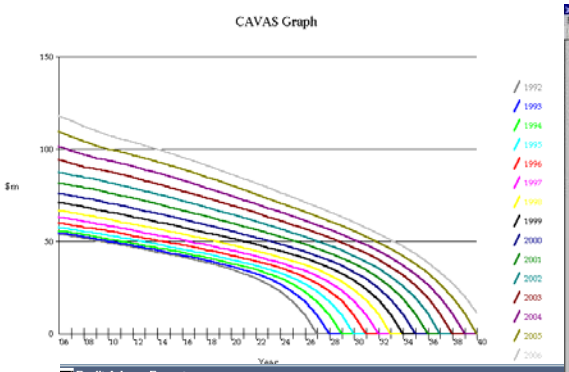

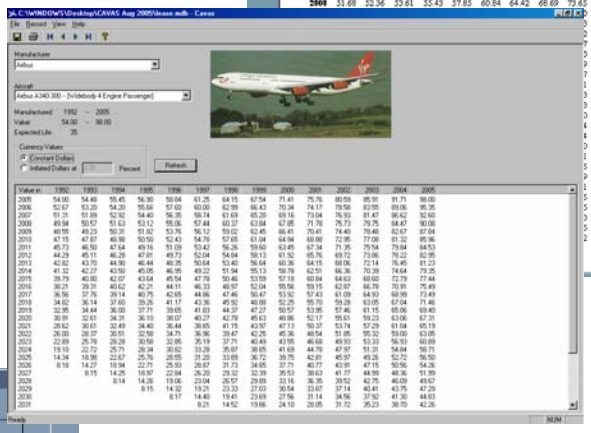

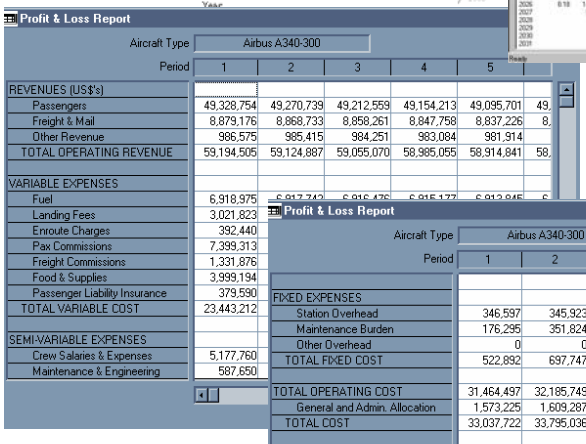

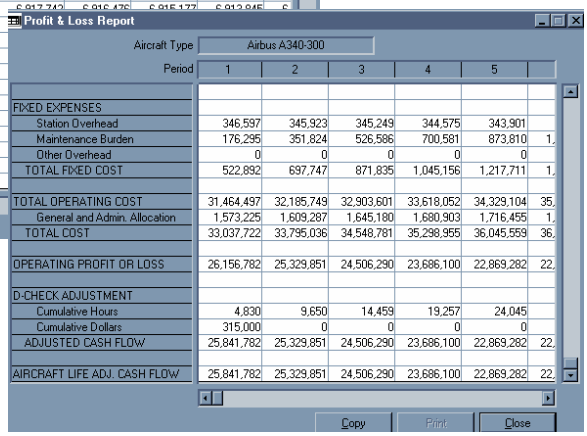

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