



AVMARK INC.®

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Newsletter

Market Comment

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U.S. Airlines Post Lower Earnings. Rising fuel costs and the dramatic drop in traffic to Japan cut airline earnings in the first quarter. The airlines avoided disaster by raising fares and some cut capacity. Most carriers meet financial analysts' forecasts, even when they lost money. The **Air Transport Association** reported that sharply increasing fuel prices have added \$3 billion to U.S. airlines' costs. The price of crude oil was \$91.31 in early January and was \$20 higher at the end of March. The average price of jet fuel rose at an identical 20 percent pace, from \$2.66 per gallon in January to \$3.20 a gallon in late March.

United Continental estimated that the decline in travel to Japan after the March 11 earthquake and tsunami cost its **United Airlines** subsidiary about \$30 million in lost revenue. **United Continental's** quarterly net loss rose to \$213 million, from \$82 million in the first quarter of 2010. **Delta Air Lines** estimated that the drop in Japan traffic cost it \$35 million. The airline lost \$318 million — \$128 more than the previous first quarter, due to a 30 percent jump in fuel costs. The other large international airline, **American**, had a smaller-than-forecast quarterly loss of \$436 million. The soaring fuel prices caused **American** to cut its domestic capacity this year.

Domestic Airlines Fared Better. **Southwest Airlines** saw its quarterly profit drop to \$5 million, down 55 percent from the \$11 million profit from a year ago. **JetBlue Airways** earned a net income of \$3 million, which compared favorably with last year's loss of \$1 million. **Alaska Air Group** posted a record quarterly profit of \$29.5 million, more than double the \$13.1 million it earned in the same period last year. It is interesting that the airlines with little or no international routes fared so well this year. In previous periods, high-yield international traffic padded the airlines' bottom lines.

United Continental Holdings combined both subsidiary airlines' first-quarter 2010 and 2011 financial data so that year-over-year comparisons would be meaningful. Rising fuel prices dissipated the improvement in revenue. Fuel expenses increased 34.5 percent (\$725 million), year-over-year. Total revenues rose 10.8 percent to \$8.2 billion, but the airline lost \$213 million. **United Continental** ended the quarter with \$8.9 billion in unrestricted cash. Passenger revenue increased 11.5 percent and passenger revenue per available seat mile increased 9.9

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percent compared with last year. The airline wrote off integration-related special charges of \$77 million.

Delta Air Lines lost \$318 million in the quarter ending March 2011. This was 24 percent (\$128 million) more than last year's loss of \$256 million. The net loss was heightened by a 30 percent (\$610 million) rise in fuel costs, to \$2.166 billion. The airline reported operating revenue of \$7.747 billion, up 13 percent (\$899 million) from 2010's \$6.848 billion. **Delta** saw its passenger revenues drop by \$90 million due to severe winter weather. The precipitous decent of traffic to Japan cost it \$35 million. In spite of those events, passenger revenue rose 13 percent (\$769 million), due to a 12 percent increase in yield and 1 percent bump in traffic. The airline ended the quarter with \$5.5 billion in unrestricted liquidity and it reduced its net debt to \$14.5 billion. The company raised fares to pass fuel costs on to its customers and it cut its capacity by 3 percent. **Delta** will retiring 130 of its least efficient aircraft by 2013, including 60 50-seat regional jets and the DC-9-50 and Saab turbo-prop fleets. The DC-9 grounding caused the airline to write off \$7 million. **Delta** will reduce its planned capital expenditures by \$300 million to \$1.2 billion in 2011. "Fuel is the biggest challenge facing this industry and **Delta** is actively reducing capacity, implementing fare actions, hedging our fuel needs and attacking our cost structure in order to offset fuel's impact on our earnings," CEO **Richard Anderson** said.

AMR Corporation, the parent company of **American Airlines**, reported a net loss of \$436 million in the first quarter of 2011, a 13.7 percent improvement over the loss of \$505 million in the previous first quarter. The loss was exacerbated by one-time, non-cash charges of approximately \$31 million related to certain sale/leaseback transactions. Total operating revenues in 2011 rose 9.2 percent to \$5.533 billion from \$5.068 billion in the first quarter of 2010. Fuel costs rose 24 percent during the year, from \$2.23 per gallon in 2010, to an average of \$2.76 per gallon in the first quarter of 2011. This added \$351 million to **American's** fuel bill. **AMR** Chairman and CEO **Gerard Arpey** said, "High fuel prices remain one of the biggest challenges to our industry

and our company. We believe our steps to aggressively increase revenues, reduce capacity, control non-fuel operating costs, and bolster liquidity will help us to better manage the challenges we currently face."

Southwest Airlines' quarterly revenue rose 18 percent to \$3.103 billion, compared to \$2.63 billion for first quarter 2010. Expenses rose 16 percent because fuel costs increased by 26.4 percent to \$1.038 billion. They paid an average of \$2.96 per gallon of kerosene. Total first quarter 2011 operating

expenses were \$2.989 billion, up 16 percent from first quarter 2010's \$2.576 billion. Operating income was \$114 million (more than double the \$54 million income reported in first quarter 2010). However, the net income was only \$5 million, down 55 percent from the \$11 million net of the previous first quarter. CEO **Gary C. Kelly** stated, "While escalating jet fuel prices and inclement weather challenged our first quarter profitability, our people prevailed. Record monthly load factors, combined with solid passenger revenue yields, resulted in a 17.8 percent year-over-year increase in passenger revenues. Passenger unit revenues increased almost 9 percent. Since first quarter 2007, passenger unit revenues have increased 34 percent. Other operating revenues also grew a healthy 26.7 percent. All in all, a solid start to our 40th year of service." **Southwest** will close on the purchase of **AirTran** in May, a deal that will strengthen its presence in big East Coast markets. The carrier will add 175-seat 737-800s to its fleet in 2012.

JetBlue Airways reported net income of \$3 million in the first quarter, while it lost \$1 million in 2010. The airline had an operating income of \$45 million, up 4.6 percent from 2010's \$43 million operating income. **JetBlue's** operating revenues rose 16.3 percent to \$1.012 billion, from last year's \$871 million. Operating expenses increased 16.8 percent (\$139 million), over the prior year's first quarter. Revenue passenger miles increased 7 percent, while capacity increased by only 1 percent. Its load factor rose 4.6 points to 81.4 percent, and yield per passenger mile was 13.08 cents, up 7.7 percent. Non-fuel unit costs were hurt due to storm-related flight cancellations in January and February.

Alaska Air Group reported first quarter 2011 net income of \$74.2 million and operating income of \$133.8 million, compared to net income of \$5.3 million and operating income of \$25.7 million in the 2010 first quarter. The **Group's** total operating revenues in the quarter rose 16 percent to \$965.2 million from \$829.6 million in 2010, while total operating expenses rose only 3 percent to \$831.4 million from \$803.9 million in 2010. The **Group** earned \$82.0 million in mark-to-market fuel hedge gains and lost \$10.1 million due to the return of its CRJ700 fleet.

US Airways lost \$110 million, which was 24 percent more than the \$89 million loss reported in the first quarter of 2010. None the less, the airline lost less money than the analysts expected. Total revenues for the quarter rose to \$2.96 billion, up 11.7 percent from last year's \$2.65 billion. Operating expenses rose 12.8 percent to \$3 billion, due primarily to a 33 percent (\$272 million) jump in fuel costs. The airline spent \$734 million for fuel, which surpassed labor as **US Airways'** largest cost. The carrier cut this year's capacity growth plan by half of a percentage point to 1.5 percent. The airline's CEO **Doug Parker** said, "Our first quarter results were clearly impacted by the extremely high price of oil. Demand for our product was strong and unit revenues increased more than eight percent."

Airbus Orders

Airbus Sold 18 A330s, 10 A321s and One A319 ACJ in March. **Cathay Pacific Airways'** contract for 15 A330-300s took the model's firm sales past the 500 milestone. **Turkish Airlines—THY** ordered three more A330-200F freighters and 10 A321 passenger liners. One unnamed **Private Customer** ordered one A319 Airbus Corporate Jetliner. **Airbus** has sold 79 ACJs and delivered 64 of them to date. **Airbus** delivered two A380s and seven A330s in March, along with 26 A320s, six A321s and five A319s.

In the First Quarter, Airbus sold 69 new aircraft, but lost 68 existing orders to cancellations, for a net order increase of just one plane. The good news is that **Airbus** added 22 higher-priced A321s, even though it lost 43 A320 orders. The company also added 31 A330s and 10 A380s while it lost nine A330Fs and a dozen A350-900s. The European plane maker delivered 119 new airplanes, including four A380s, 22 A330s and 93 A320 Family aircraft during the quarter.

Turkish Airlines—THY signed a \$1.6 billion order for 10 A321s and three A330-200F freighters. The list price of the A321s is \$100 million each and the A330-200Fs cost \$200 million each. The first of this new batch of A321s will arrive in 2013. The airline already operates four A310F freighters, 50 A320 Family aircraft, 11 passenger A330s, one A330-200F and nine A340s. It now has five A319s, 12 A321s and nine A330s on backlog.

Cathay Pacific Airways ordered 15 more **Rolls-Royce** Trent 700-powered A330-300s for delivery starting in 2013. The purchase pushed **Airbus'** A330-300 orders to 511.

Cathay Pacific is **Airbus'** largest customer for the -300. The Hong Kong flag carrier and its subsidiary **Dragonair** operate a fleet of 46 A330-300s and have 21 scheduled for delivery. The A330 has attracted 27 new customers and 323 new orders since January 1, 2008.

Star Flyer, Japan, signed a firm contract for two A320s in April. The low-cost airline currently operates five leased A320s and will lease four more shortly. This is the Japanese carrier's first purchase of new airplanes. The A320s will seat 144 to 150 passengers in a single-class configuration and will be powered by CFM56-5B4/P engines. **Star Flyer** will use the new jets to open routes in Japan and to Korea. **Star Flyer** was launched in March 2006, and is based in the **New Kita Kyushu Airport**.

ILFC Confirmed its Purchase of 100 A320neo Family aircraft. The lessor signed a Memorandum of Understanding for the A320neos last month. **ILFC** selected the Pratt & Whitney PW1100G engine for at

Airbus March 2011 Orders, Deliveries and Backlog

MAR ORD	MAR DEL	MAR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	83	74	9
			A319		
1	5	-0-	1,491	1,281	210
			A320		
-0-	26	-25	4,458	2,624	1,834
			A321		
10	6	-0-	893	640	253
			A330		
18	7	-0-	1,126	772	354
			A340		
-0-	-0-	-0-	379	375	4
			A350		
-0-	-0-	-0-	571	-0-	571
			A380		
-0-	2	-0-	244	45	199
This Month			This Year		BL
29	46	-68	1	119	3,434

Airbus sold 10,061 aircraft and delivered 6,627 as of March 31, 2011.

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

least 60 of the new planes. The lessor can switch between the A320neo and A321neo types. The first A320neos will be delivered in late 2015. **Airbus'** Chief Operating Officer, Customers, **John Leahy** commented, "ILFC is the first major lessor to order the A320neo and these early delivery positions will help secure its leading position in a very competitive single-aisle market."

Airbus Advances A320neo In-Service Date.

Originally the company planned to deliver its first A320neo in the second quarter of 2016, but it advanced the first deliveries to October 2015. **Airbus** also decided to offer the A319neo as the second neo model to be built. It will be ready in mid-2016, and the A321neo will be ready in late 2016. The manufacturer also chose the Pratt & Whitney PW1100G geared-turbofan as the lead development engine. So far, three of the five A320neo customers have chosen the PW1100G. **Airbus'** COO, Customers **John Leahy** said the CFM International LEAP-X engine will be ready between nine months and one year after the PW1100G. The nomination of a lead engine allows the A320neo's industrial development to begin. The A320neo's maiden flight is scheduled for the fall of 2014, with certification to follow about one year later. **Airbus** plans to use eight prototype airframes in the development program to test each engine and airframe combination. The test planes will fly a combined total of approximately 2,600 hours.

Airbus said it will limit its changes to the A320 simply to the installation of new engines. This will insure that the A320neo will be ready for service by late 2015. The company's engineering director **Charles Champion** said, "We're taking a minimum engineering approach for everything not related to the engine. The main value comes from the engines and engine integration, and as we want to introduce it as soon as possible, I'm fighting against the creep of additional changes." **Airbus** must make some structural changes to the wing in order to accommodate the new engines. The company forecast that it will sell up to 4,000 A320neo Family airplanes over 15 years.

Air Arabia selected Sharklet wing-tip devices for the last 28 of the 44 A320s that it ordered in 2007, and in 2008. The first Sharklet-equipped A320s will be delivered in the second quarter of 2013. **Air Arabia** has taken delivery of four of the new A320s and it flies a total of 27 of the type, making it one of the region's largest A320 operators. Development of the Sharklet was started in 2009, and the first flight

AirAsia Group's CEO Tony Fernandes said the Malaysian budget carrier wants to convert some of its 86 A320 orders to the re-engined A320neo. The airline is moving some delivery dates around. In February, it delayed the delivery of 10 A320s from 2012 to 2015, but it also brought three 2012 deliveries forward to late 2011. By 2016, **AirAsia** will only have 10 A320s on order and the first A320neos will be ready for delivery in late 2015. By then, the airline will want to switch to the "new-generation A320, which is more fuel efficient," it said. **Airbus'** Chief Operating Officer, Customers, **John Leahy** tried to dispel Mr. **Fernandes'** notions that **AirAsia** will be able to switch its orders. He said that allowing conversions "creates too much confusion." So far, **Airbus** is standing firm about preventing conversion between the baseline A320 and the new A320neo. Mr. **Leahy** said that **Airbus** "needs to know" how many aircraft of each type it will be building while it makes the transition between types. He complained that if the customer has the ability to switch, it is "really taking two slots and we're not going to do that." Further, **Airbus'** Executive Vice-President for Programs, **Tom Williams** explained that the company "doesn't want to cannibalize the backlog." **Airbus** has about 300 commitments to the A320neo Family and it expects to win another 200 orders by **Paris Airshow** in June. **Airbus** has 2,306 outstanding A320 Family aircraft in backlog.

of the Sharklet prototype A320 will take place in October. The first Sharklets will be delivered on newly built aircraft by the end of 2012. **Wolfgang Engler**, an A320 engineer, said **Airbus** was stripping the wing of its flight-test aircraft (SN 001) and removing the flaps and slats. Also, they will jack up the aircraft into a stress-free condition to remove the wing skin and will internally strengthen the wing and fit it with test instrumentation. **Airbus** will change the plane's rear fuselage skin, too. This modified A320 will perform about 220 hours of flight tests. Another 650 hours of flight testing will start in August 2012 and will lead to certification of the Sharklet-equipped A320. Airlines will be able to install Sharklets onto their own A320s during one-day maintenance-shop visits.

Thai Airways International's President **Piyasvasti Amranand** said the airline will order up to 26 widebody aircraft by mid-year. It will choose between A350s and 787s and may buy more 777s; the order could be split between manufacturers. The airline wants its new planes to be delivered between 2013 and 2017, but the **Thai Government** needs to approve the airline's plans to acquire more planes. **Thai** also wants to acquire 11 narrow-bodies and have the first ones delivered late this year. Mr. **Amranand** said he was happy to have **Airbus** and **Boeing** competing for the planned orders. The orders will increase **Thai's** fleet to 105 planes by 2017, from its current 85 aircraft. The new widebodies will replace its older long-range aircraft.

Air France-KLM Group might split an order for approximately 100 widebody aircraft between **Airbus** and **Boeing**, the company's secretary general **Bertrand Lebel** said. Management could make a decision between the Airbus A350 and Boeing 787 before the end of the year, because it is concerned about losing advantageous delivery slots. "One of the complexities is the fact that none of them is flying at the moment. But we know that we need to move because there are slot issues after that in the manufacturing process. So it's a trade-off between being at the right time to have the slot when we need the aircraft and not making the choice too early to be sure that we are going to make the right choice," Mr. **Lebel** said.

Rossiia, the Russian Government Air Service, is buying two A319 ACJ—Airbus Corporate Jetliners for 6.7 billion rubles (\$237.6 million). The first aircraft will enter service in 2012, **RIA Novosti** reports. The Russian VIP transport company will also take delivery of two Ilyushin Il-96-300PUs in 2013. Prior to the ACJ order, **Rossiia** had purchased only large domestic aircraft. Last year, Prime Minister **Vladimir Putin** criticized **Aeroflot** for ordering foreign airliners instead of Russian aircraft. This year, Russian President **Dmitry Medvedev** faulted Russian aircraft manufacturers for their inability to build competitive and electronically-advanced planes. "Clearly all our products need to be electronically based, but not all our design bureaus are ready for this, which is a big and separate problem," Mr. **Medvedev** said. Russian airplanes should be competitive with their foreign rivals in terms of engine noise, fuel economy and flight distance, he complained. The head of **National Security Council**, **Nikolai Patrushev**, said the country should focus on building regional jets. "People should not be flying from one part of the country to another via Moscow," he said. The council developed a nine-year plan for the country's aviation industry that calls for development of trunk airliners through cooperation with foreign partners. "We are not going to re-invent the wheel," he said. Mr. **Medvedev** said the state would support the aviation industry at first to encourage its design efforts, and he called for closer cooperation with international partners.

Boeing Orders

Boeing Sold 98 New Airplanes in March. The company reported that the **U.S. Air Force** ordered four pre-production KC-46A air tankers, which are based on the 767 aircraft. The customer is referred to as “**BDS USAF Tanker**” and the model is labeled “767-2C.” **Boeing** also sold 27 777s during the month; **Cathay Pacific Airways** bought 10 more 777-300ERs; **GECAS** ordered another 10 777-300ERs and **Qatar Airways** is buying two more 777-300ERs. One **Unidentified Customer** ordered two 777-300ERs, another unnamed buyer ordered two 777-300ERs, and on the last day of the month, a third client committed for a single 777-300ER. Airlines and lessors signed agreements to buy 65 737NGs—**ILFC** purchased 33 737-800s, an unnamed customer ordered two 737-800s, and **Turkish Airlines—THY** picked up 10 737-800s. The Turkish flag carrier also bought five 737-900ERs. **El Al Israel Airlines** contracted for four 737-900ERs and an unidentified buyer ordered 11 737-900ERs. **Korean Air** added two 747-8Fs to its backlog. The manufacturer lost eight 787 orders placed by **Air Pacific**; one **Unidentified Customer** cancelled one 737NG order. **Boeing** delivered 38 737NGs, one 767 and four 777s in March.

Boeing March 2011 Orders, Deliveries

MAR ORD	MAR DEL	MAR CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
65	38	-1	8,887	6,725	2,162
			747		
2	-0-	-0-	1,527	1,418	109
			767		
4	1	-0-	1,051	998	53
			777		
27	4	-0-	1,209	923	286
			787		
-0-	-0-	-8	835	-0-	835
This Month			This Year		BL
98	43	-9	106	104	3,445

Boeing sold 21,039 aircraft and delivered 17,594 as of March 31, 2011.

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

Turkish Airlines—THY, the Istanbul-based Turkish flag carrier, exercised options for 15 Next-Generation 737s that are list priced at more than \$1.2 billion. The order comprised 10 737-800s and five 737-900ERs and all the planes will be delivered with the Boeing Sky Interior. The new interior offers larger overhead stowage bins with a new pivoting design that provides more open space in the cabin. The **THY** 737s will also feature **Boeing’s** performance improvement package, which will boost fuel efficiency a further 2 percent through aerodynamic and engine changes. The improved airplanes are expected to be in service between mid-2011 and early 2012. To date, **Boeing** has received orders for 305 737-900ERs from 14 customers. The high-capacity, long-range derivative of the 737-900 was launched in July 2005.

EL AL Israeli Airlines signed its contract to buy four extended range 737-900ERs and placed options for future aircraft. The firm order was valued at \$343.2 million at current list prices. The 737-900ER can seat up to 215 passengers in a single-class configuration and they will be delivered with the new Boeing

Sky Interior. The flag carrier will replace its current fleet of 757-200s with the similarly sized 737-900ERs. **El Al** operates 40 Boeing aircraft on 41 routes to 27 countries from its base in Tel Aviv.

International Lease Finance Corporation (ILFC) ordered 33 737-800s in March. They will be delivered between 2012 and 2016. The order is valued at more than \$2.6 billion at list price. This is **ILFC's** first order for **Boeing** aircraft since June 2007, and it brings its 737NG order total to 280. The company has taken delivery of all but 38 of them. The 737-800 purchase helps balance the company's order book, which includes 74 787 Dreamliners. **ILFC's** new 737-800s will be fitted with the Boeing Sky Interior. They will also be 2 percent more fuel efficient than the current 737-800, due to aerodynamic and engine upgrades. The first 737s with the performance improvement package will enter service by early 2012.

GE Capital Aviation Services (GECAS) finalized an order for 10 777-300ERs worth approximately \$2.84 billion at list price. Since September 2000, the lessor has ordered 53 777s, including 41 777-300ERs. All but two 777F freighters and 13 777-300ERs have been delivered so far. The new 777-300ERs will help **GECAS** meet growing airline demand for long-haul passenger airplanes. This model of 777 carries 365 passengers up to 7,930 nautical miles (14,685 km).

Qatar Airways signed a contract with **Boeing** to buy two 777-300ERs in March. It ordered three 777Fs in September 2010, but the sale was attributed to an unidentified customer. Qatar's state news agency **QNA** said the five 777s were worth \$1.4 billion (\$280 million each). The airline currently operates 97 aircraft and has one 777-200LR, five 777-300ERs and four 777Fs on back log.

FedEx ordered four more 777F freighters in February and **Boeing** revealed the purchase in March. The order was list priced at more than \$1.08 billion (\$252 million each), but airlines usually negotiate a significant discount off the manufacturer's list price. The actual sale price of the four 777Fs

Kenya Airways reconfirmed its order for nine 787-8 Dreamliners in April; the airline optioned the purchase of four more. **Kenya's** CEO **Titus Naikuni** said six of the 787s would replace six aging Boeing 767s and the other three will be used for route and service expansion. The first of the 787-8s will be delivered in the last quarter of 2013. The airline ordered the nine 787s in March 2006, and the first was scheduled for delivery in October 2010. After several delivery deferrals, **Kenya** considered dropping the 787 and ordering the A330. Mr. **Naikuni** said that after talks, **Boeing** has "given us delivery dates that we are comfortable with." The list price of the nine 787-8s is approximately \$1.8 billion (\$200 million each). **Kenya Airways** has not yet selected the engines for the 787s.

The Boeing Company reported first-quarter net income of \$586 million, on revenue of \$14.91 billion. In the first quarter of 2010, the company earned \$519 million from revenues of \$15.216 billion. The company saw its profits rise by 13 percent, while its revenue dropped 2 percent. Its operating margin dropped one point to 6.7 percent over the year. In spite of the declining revenue, **Boeing** CEO **Jim McNerney** said, "Our outlook remains positive. We're off to a good start in an important year for our company. We delivered strong operating performance, made significant progress on 787 and 747-8 flight testing, and scored a major win on the **U.S. Air Force** Tanker program." The first Dreamliners and 747-8Fs are due for delivery in the third quarter. **Boeing** said that the Trent-powered 787 test schedule was 95 percent complete and that it completed 75 percent of the testing for the GENx-engined 787.

is estimated to be in the \$650 million range (\$162.5 million each). The airline has ordered a total of 27 777Fs. It has taken delivery of 10 of them and acquired two more from **Air France**.

Cathay Pacific Airways ordered 10 Boeing 777-300ERs valued at \$2.8 billion at list price. **Cathay's** fleet of 777-300ERs will rise from 36 to 46; the airline currently has taken delivery of 14 777-300ERs and leases another four. **Cathay** also operates five 777-200s, 12 777-300s, 45 747-400s (in both passenger and cargo versions) and it has 10 747-8 Freighters on order. All of **Cathay's** ordered aircraft will be delivered by 2019. By that time, the carrier said it will retire its 21 747-400s and 11 A340-300s and may return some leased A330s.

American Airlines announced in its First Quarterly financial report that, "as part of the Company's fleet renewal efforts, [it] now has five 777-300ERs that are scheduled for delivery in 2012 and 2013, including two additional aircraft for which options were recently exercised." According to **Boeing's** order book, dating March 31, 2011, **American** has only two 777-300ERs in backlog. The other three orders must still be listed in the "unannounced customers" category.

Korean Air confirmed its two options 747-8F freighters, worth \$639 million at list price. The airline was the first to order both the passenger and freighter versions of the 747-8, when it bought five 747-8Is and five 747-8Fs and optioned two 747-8Fs in December 2009. **Korean Air** currently operates 22 747-400 freighter airplanes and five 777F freighters. The first of its seven new 747-8Fs will be delivered late this year.

Southwest Airlines ceased to expand its fleet in 2009, but may decide to grow again in 2013, CEO **Gary Kelly** said, "We're trying to restore profitability to the point where it is finally justified to commit to buying airplanes. We don't have any plans to grow our fleet in 2011. I think 2012 is probably a little aggressive to think about a step-up in our fleet mix." The airline operates 552 737s, and in the last two years it retired 737-300s when it took delivery of new 737-700s. **Southwest** will wait until 2013 to start growing because it is buying **AirTran** on May 2, and will need several years to digest the Atlanta-based low-cost carrier. It is assumed that the airline will swap more 737-700 orders for the larger 175-seat 737-800. This will allow the airline to grow capacity without increasing its fleet numbers. **Southwest** bought its first 20 high-capacity 737-800s in December in order to add seats to some landing-slot constrained cities. The -800 also flies farther and is 15 percent more fuel efficient per-seat than the -700. The first -800s will be delivered in early 2012. Mr. **Kelly** expects **Southwest** to operate from 80 to 120 737-800s (it currently has 85 -700s on order). In September, **Southwest** agreed to buy **AirTran Holdings** for about \$1.4 billion in cash and stock. **AirTran** operates 53 737-700s and 86 Boeing 717s, and has 51 737s on order. **Southwest** may have a hard time integrating **AirTran's** 717s, which seat 117 passengers – nearly the same capacity as **Southwest's** 122-seat 737-500s.

Regional Report

UTair, Russia, signed a contract to purchase 20 ATR 72-500s in a deal valued at \$426 million. **UTair** will use the aircraft to fly new regional routes in Russia and the Ukraine. The airline already operates a fleet of 12 ATR 42-300s and three ATR 72-200s in Russia, and its subsidiary **UTair Ukraine** flies two ATR 42-300s. When the new batch of ATR 72-500s are delivered, **UTair** will have 37 in its fleet, and will be the largest ATR operator in Europe. Russian, Ukrainian and other CIS countries' airlines

currently operate 30 ATRs. The delivery dates were not announced, but two ATR 72s (SN 942 & 963) painted in **UTAir** colors were recently seen at **ATR's** factory at Toulouse, France.

Mitsubishi Aircraft Corporation commenced assembly work on the Mitsubishi Regional Jet (MRJ). **Mitsubishi Heavy Industries (MHI)** began riveting work on the frame structure of the aircraft's cockpit roof. The manufacture of individual parts began last autumn, but this represents the first time individual parts were joined. **Mitsubishi** said in its press release, the "start of assembly work indicates that the MRJ project to develop Japan's first passenger jet is progressing steadily and firmly as scheduled. The aircraft's first flight is slated for 2012." **MHI** will produce the MRJ's major components—including the fuselage, wings and empennage – and will also perform the final assembly and equipment installation of the aircraft, using components that are produced by the project's many partners.

Garuda Indonesia intends to buy the 18 regional transports that can be delivered between 2012 and 2015. The flag carrier wants planes with less than 100-seat capacity to expand services to airports with shorter runways. **Garuda** issued a request for proposals to the manufacturers and expects to announce a winner in June.

Bombardier sold four Bombardier 415 amphibious firefighting turboprops to "an existing, yet undisclosed 415 owner," according to the press release. The company said the customer previously ordered one Bombardier 415. The airplanes, training and spares are worth approximately \$162 million at list price. Deliveries of the Pratt & Whitney Canada PW123AF-powered aircraft will start in the second quarter and end in the first quarter of 2013. **Bombardier** has delivered 79 415s since 1994.

Porter Airlines, Canada, ordered two more Dash 8Q-400 NextGen airliners. The airline converted two of the six options that it reserved in August,

Bombardier Aerospace reported revenues of \$2.9 billion for the quarter ending January 31, 2011. This is a \$200 million improvement to the \$2.7 billion revenues in the same period of 2010. The improvements are due to a higher number of commercial aircraft deliveries and higher net selling prices charged for large business and commercial aircraft. The annual revenues dropped to \$8.6 billion for the year ending January 31, 2011, down from \$9.4 billion in the previous year. The drop was due to a declining number of deliveries of business and commercial aircraft. Earnings before interest and taxes (EBIT) rose to \$181 million in the quarter, up from the \$106 million earned in the same period last year. For the year, EBIT dropped to \$448 million from \$473 million from the previous year. **Bombardier** delivered 92 airplanes, including 47 business aircraft, 44 commercial aircraft and one CL415 in the quarter. In the previous period, the manufacturer delivered 49 business aircraft, 35 commercial aircraft and two CL415s. During fiscal year 2011, **Bombardier Aerospace** delivered 244 aircraft, 58 fewer than were delivered in fiscal year 2010. The company won 88 net orders (74 business jets, 13 airliners and one Bombardier 415) during the quarter, while in the previous period it sold only seven biz jets, 22 airliners and four 415s.

In fiscal year 2011, **Bombardier** received 201 net orders, including 107 biz jets, 93 airliners and one 415. In the previous fiscal year, the company added 11 net sales, having lost orders for 85 business jets, 88 airliners and eight 415s. The firm order backlog rose to \$16.6 billion as of January 31, 2011, down \$100 million from the \$16.7 billion backlog at the end of January, 2010.

Bombardier changed its fiscal year to the calendar year, so it will deliver 150 business aircraft and approximately 90 commercial aircraft in their one-time-only 11-month year.

2010. The two Q400 NextGens are valued at approximately \$61 million (\$30.5 million each) at list price. **Porter** has now ordered 26 Q400 and Q400 NextGen aircraft and has taken delivery of 20.

Embraer Delivered 20 Commercial Jets and eight executive jets during the first quarter of 2011. The firm order backlog totaled \$16 billion, an increase of \$400 million from the end of the previous year. During the quarter, **Embraer** sold ten EMBRAER 190 jets to **Dniproavia**, Ukraine; Brazil's **Trip Linhas Aereas SA** bought three more EMBRAER 190s; **Alitalia** took 15 EMBRAER 175s and five more EMBRAER 190s; **KLM** confirmed five EMBRAER 190 options, for a total of 44 new E-Jets sales. The second quarter began strongly with the announcement that China's **CBD Leasing** and **Hebei Airlines** bought a total of 15 new E-190s. The Legacy 650 executive jet was certified in the United States in February, and **Embraer** started building Phenom light executive jets at its new industrial plant in Melbourne, Florida. Additionally **Embraer Defense and Security** delivered the first of three ERJ-145 AEW&C surveillance jets to the **Indian Government**; the other two will be completed this summer.

Embraer Delivered 31 E-Jets and 61 executive jets in the fourth quarter of 2010. It delivered 101 airliners, 126 light biz jets and 19 large biz jets in 2010, which exceeded the company's 2010 delivery forecast. As a consequence, net sales for the year reached \$5.364 billion, which was higher than the forecast of \$5.25 billion in sales. The company ended the year 2010 with \$691.8 million in cash and an annual net income of \$330.2 million.

KLM Cityhopper ordered another five EMBRAER 190s by firming up options placed in August 2007. The five E-190s are valued at \$214 million at list price. The first of the E-190s will be delivered during the first quarter of 2012; the **KLM** regional subsidiary has two more E-190s on option. **KLM Cityhopper** operates 17 100-seat E-190s and 31 other aircraft on its regional European routes

CDB Leasing (CLC), China, signed a purchase agreement for a second batch of 10 EMBRAER 190s and a Letter of Intent (LOI) to buy another 10 E-190s. If the LOI is confirmed, **CLC** will have ordered 30 E-190s worth \$1.25 billion at list price. The leasing company bought the first 10 E-190s in January

Embraer March 31, 2011 Orders & Deliveries

Type	Total Orders	Total Options	Total Deliveries	Current Backlog
ERJ135	108	-0-	108	-0-
ERJ140	74	-0-	74	-0-
ERJ145	708	-0-	706	2
E170	191	35	182	9
E175	189	290	135	54
E190	502	335	332	170
E195	105	45	70	35
Total	1,877	705	1,607	270

Type	1st Quarter Deliveries	2011 Deliveries
Legacy	6	6
Lineage	2	2
ERJ 145	-0-	-0-
Embraer 170	1	1
Embraer 175	2	2
Embraer 190	11	11
Embraer 195	6	6
Total	28	28

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

2011. **China Southern Airlines** will operate all 30 E-190s and the first aircraft will be delivered during the second half of this year. The airline already operates six Embraer ERJ-145s.

Hebei Airlines China, ordered 10 EMBRAER 190s, with the first delivery scheduled for September 2012. The airline optioned another five. The **Hebei Provincial Government** helped found **Hebei Airlines** in June 2010, under the ownership of **Hebei Aviation Investment Group**, a leading state-owned holding company. The airline currently operates two Embraer ERJ-145 and four other aircraft. The E-190s will be used to expand routes and services.

Embraer Announced that its Harbin Plant will build Legacy 600/650s after the current backlog of two ERJ-145s are completed this summer. In 2003, **Embraer** and **Harbin Aircraft Manufacturing Corporation** launched a joint effort called **Harbin Embraer Aircraft Company**. It assembled ERJ-145s for the Chinese market from pre-manufactured kits provided by **Embraer**. The Chinese market for 50-seat regional jets was smaller than **Embraer** forecast and **Harbin Embraer** will run out of work after completing the 41st aircraft. The Legacy 600/650 is based on the ERJ-145, so there will not be much change in the plant's operations. **Embraer** will release details about the project in the next few weeks, the company said. So far, **Embraer** has delivered three mid-sized Legacy biz jets to Chinese operators.

Armavia, Armenia, took delivery of the first Sukhoi Superjet 100 (EK-95015, SN 95007) at the **Zvartnots Airport** on April 19. The aircraft is named **Yuri Gagarin** after the first man to orbit the globe. **Mikhail Pogosyan** the president of **United Aircraft Corporation** and general director of **Sukhoi Holding** said, "The delivery of the first production aircraft is the key milestone of the Sukhoi Superjet 100 Project. The event opens a new stage of the Program – the beginning of commercial operation and full-scale serial production. No doubt that the new Russian aircraft will be a perfect operating tool in the fleet of **Armavia**, and our colleagues from **Superjet International** will give full support to the Armenian national carrier and provide timely and high quality after-sales support." **Armavia** ordered two Superjets and optioned two more in September, 2007. It plans to put the airplane into service to Moscow, Saint-Petersburg, Sochi and the Ukraine from its base near Yerevan. Russia's flag airline, **Aeroflot**, expects to take delivery of its first of 40 Sukhoi Superjet 100s soon and will begin commercial flights in mid-May.

Order Changes and Cancellations

Jazeera Airways, Kuwait's first low-cost carrier, cancelled orders for 25 of its 39 A320s in March. The month before, **Dubai Aerospace Enterprise's DAE Capital** cancelled orders for 18 A320s and 12 A350-900s. The 43 cancelled A320 orders were worth around \$3.7 billion at list prices. **Jazeera Airways** now has four outstanding orders for the A320, which will be delivered from 2012 to 2014. Chairman **Marwan Boodai** said the airline needed to resize its fleet due to "the overcapacity we've seen in the market in 2009 and 2010." The airline "might revisit this decision" later and order the A320neo.

Airbus Order Shuffle. **Airbus** sold 69 new aircraft in the first quarter, but lost 68 orders to cancellations, reducing the net order total to just one airplane. This is actually an improvement over the minus three net orders at the end of February. **Aerventure** leasing company switched its last A319 order to an A320. It now has 44 A320s on order and has taken delivery of 36. **Aircraft Purchase Fleet** changed two A319 orders into two A320 orders, for a total of 50 A320s. They are all committed to be leased to **Alitalia**.

Air Pacific, Fiji's flag carrier, cancelled eight Boeing 787s worth \$1.5 billion in March. The airline ordered five General Electric GENx-powered 787-9s in April 2006, and reserved purchase rights for another three. The purchase rights were converted into firm orders in December 2007; **Air Pacific's** first 787s were supposed to be delivered this year. The airline continues to talk with the manufacturer about replacing its widebodies. **Qantas Airways**, Australia, owns 46 percent of **Air Pacific** and it dropped many of its early delivery positions in favor of airplanes due later in the decade.

Boeing announced that **Continental Airlines** converted 19 737-700 orders to the 737-900ER model, raising its -900ER orders to 52. The airline will take delivery of all 19 737-900ERs in 2012.

Engine News

Pratt & Whitney PurePower PW1100G GTF (Geared TurboFan) Engines were chosen by three of five early customers for the A320neo Family, thus **Airbus** announced that the GTF will be the lead development engine. This allows the manufacturer to start the A320neo's industrial development phase. Encouraged by more than 300 sales, **Airbus** advanced the airplane's entry-into-service date by several months to October 2015.

PurePower PW1100G GTF Sales. IndiGo bought 300 PW1100G engines for its fleet of 150 A320neo Family aircraft and optioned some spares. **IndiGo** also selected **Pratt & Whitney** to provide maintenance for the engines. **Pratt & Whitney** President **David Hess** said, "We are honored **IndiGo** chose the PurePower engine, one of the largest engine orders in recent aviation history, for their new A320neo family fleet." **IndiGo** is India's largest low-cost carrier. It is based at Delhi's **Indira Gandhi International Airport** and operates domestic services to 25 cities. **Lufthansa** purchased 60 PW1100G engines for the 30 A320neo Family aircraft that it ordered in March. The airline will start taking delivery of the A320neos in 2016. **ILFC** selected the PW1100G engine for 60 of the 100 A320neo Family aircraft that it is buying. It optioned to buy GTF engines for the remaining 40 A320neos. **Virgin America** and **TAM** have not announced their choices for engines. Both airlines fly CFM56-powered A320s, but half of **TAM's** A320 fleet are equipped with IAE V2500 engines.

Avolon chose CFM International CFM56 engines to power the eight A320s that it ordered in December 2010; deliveries are expected to start in 2014. **Avolon** has 60 aircraft in its portfolio and a dozen 737-800s on order.

Norwegian Air Shuttle intends to acquire up to nine 787-8 Dreamliners and has chosen the **Rolls-Royce** Trent 1000 engine to power them. Scandinavia's largest budget carrier contracted to lease two 787-8s from **ILFC** late last year; the airline will introduce those 787s in late 2012 or early 2013. **Norwegian** signed a letter of intent with **Rolls-Royce** for 18 Trent 1000s for the nine 787s. **Rolls-Royce** said the **Norwegian** order and the **TotalCare** support package could be worth \$450 million. The airline wants to launch long-haul services and to expand on its base as a major low-cost European operator. To date, 21 airlines have selected the Trent 1000 engines for their 787s.

Leasing Companies

AWAS will purchase and lease back five Boeing 737-800s with **GOL Linhas Aereas**, Brazil. The lessor will buy the planes from the airline when they are delivered between May 2011 and February

2013. **AWAS** said it will assist **GOL** to consolidate, modernize and expand its fleet by agreeing to the early return of two 767-300ERs. The 767s no longer met **GOL's** fleet needs and **AWAS** found new long-term leases for the aircraft.

BOC Aviation will long-term lease five new A330-200F freighters to the **HNA Group**. The aircraft will be delivered in 2012 and 2013, and will be operated by **HNA Group's** subsidiary, **Yangtze River Express Airlines**.

Hong Kong Aviation Capital (HKAC) bought and leased back two new Airbus A320-232s (SN 4621 & 4628) with **Wizz Air** in March 2011; the airplanes were leased for 11-year terms. The two parties signed a contract for pre-delivery financing and the sale-and-lease-back of two more A320s to be delivered in first quarter of 2012. **Wizz Air** ordered up to 107 A320 Family Aircraft from **Airbus**. The A320s are fitted with 180 seats in a single-class configuration and are powered by IAE V2500 engines. **IndiGo Airlines** sold and leased back a new A320 with **HKAC** on March 30, and the deal was financed by the **China Development Bank**. **HKAC** now has a total of eight A320s on lease to **IndiGo** and will acquire another two **IndiGo** aircraft later this year.

International Lease Finance Corporation—ILFC will borrow \$1.3 billion from a group of 15 banks from Asia, Europe and North America and has the option to borrow another \$200 million from additional lenders. The credit facility was arranged by **BNP Paribas**, **Citi** and **Credit Suisse** as Joint Structuring and Placement Agents. It will be funded over the next 12 months and will mature in 2018. **ILFC** Treasurer **Pam Hendry** commented, "The participation of such a broad group of lenders is an endorsement of **ILFC's** strategic position and vision." **ILFC** is diversifying its funding sources in order to improve its overall capital structure. The lessor will prepay existing unsecured and secured bank facilities with the loans. Refinancing will maintain the same approximate mix of secured and unsecured debt for the company. **ILFC** will also benefit from the current low interest rate of approximately 3 percent. Chief Financial Officer **Fred Cromer** commented, "The attractive pricing that was achieved is due, in part, to **ILFC's** leading presence in the leasing space as well as our success over the last twelve months in strengthening our liquidity position."

GECAS signed a sale-lease-back agreement with **Pegasus Airlines** for the delivery of four new Boeing 737-82R/Ws (SN 40721, 40724, 40728 & 40877). The planes were delivered in March and April. **Pegasus** is the second largest airline in Turkey (after **THY**) and operates scheduled and charter flights to 100 destinations in 17 countries.

SAS—Scandinavian Airlines System will lease five new 737-800s from **GECAS** and signed a Memorandum of Understanding to lease a dozen 737-700s as well. **SAS** operates nine 737 Classics, 67 737NGs, 12 A320 Family aircraft and 25 MD-80s from its three bases in Scandinavia's capital cities. The airline is retiring its fleet of MD-80s and 737 Classics in order to "reduce complexity," CEO **Rickard Gustafson** said. **SAS** will replace the 17 MD-80s based at Copenhagen with more Airbus A320 Family aircraft, starting in 2012 and ending in 2016. **SAS** currently operates four A319s and eight A321s out of Copenhagen. The carrier will also phase out a total of 20 MD-80s and older 737s from its Stockholm and Oslo hubs. The airline planned to replace the MD-80 fleet several years ago and it is now acting on this proposition. It considered ordering the **Bombardier** CSeries, but is now looking at buying the A320neo or the possible re-engined 737 with the first deliveries to start in 2015.

AerCap First Quarter Transactions. The Irish lessor leased three new A330-300s to **Virgin Atlantic Airways** (U.K.) and one new A330-300 to **Asiana Airlines** (South Korea). It leased one new A320 to **Hainan Airlines** (China) and two used A320s to **Strategic Airlines** (Luxembourg). **Brussels Airlines** (Belgium), **Donbassaero** (Ukraine) and **Nok Air** (Thailand) each leased one used A320 from **AerCap**. It leased one used A319 to **LAN Airlines** (Chile). During the first quarter, **AerCap** took delivery of four A330s and one new A320. It also bought one used A320 and one used Boeing 737-700. The company said the 737-700 was on lease to a U.K. carrier and it will be disassembled when the plane comes off lease in April. **AerCap** also signed letters of intent for the lease of nine aircraft for average terms of 96 months. It also intends to purchase two new A320s. **AerCap** sold two Boeing 757-200s, one used A320 and one McDonnell Douglas MD-82 from its owned portfolio. It acquired one IAE V2500 and six CFM56 engines in the first quarter. It also leased 12 CFM56 and one CF34 engine to customers and sold one IAE V2500 and three CFM56 engines from its owned-engine portfolio. **AerCap's** subsidiary **AeroTurbine** disassembled three engines from its own inventory, and two aircraft and one engine for third parties. As of March 31, 2011, **AerCap** said its portfolio consisted of 350 aircraft and 95 engines that were either owned, managed, on order, or under contract.

Airline News

Is Virgin Atlantic Airways For Sale? The airline said it needs a partner or else it will be left behind. Britain's second largest airline can no longer compete with **British Airways-Iberia** and must merge with another large carrier. **Virgin** is 49 percent owned by **Singapore Airlines**, which hired **Deutsche Bank** to explore the sale of its **Virgin** stock. The other 51 percent is held by British billionaire **Sir Richard Branson's Virgin Group**. **Sir Richard** indicated he was open to selling some of his shares as well. The most likely suitor for **Virgin** is **Air France-KLM** or **Delta Air Lines** or

New Owners for SAS – Scandinavian Airline System? The airline was founded in 1946, by the merger of three national airlines; **Det Danske Luftfartselskab A/S**, **Det Norske Luftfartselskap A/S**, and **Svensk Interkontinental Lufttrafik AB**. Currently, the Danish and Norwegian governments each holds 14.29 percent, and Sweden owns 21.42 percent, for a total of 50 percent of the airline's shares. The **Swedish Parliament** recently told the government to sell its shares when **SAS** is back on firm financial footing. Last year, the airline earned its first quarterly profits in several years. This month, both the Danish and Norwegian governments said they were willing to sell their shares too, paving the way for another airline to take control of **SAS**. Denmark said it would sell its **SAS** shares if the new owner insured the airline's financial future. It must also maintain or improve the level of service to and from Scandinavia. Now that all three governments basically agree to sell, it opens the door for one of the three large European airline combinations to make an offer. Norwegian Trade and Industry Minister **Trond Giske** said, "The best solution would be to find an industrial partner that can develop **SAS** as an airline. We see big mergers in the European and international aviation industry, and there are companies that would suit **SAS** well." The airline is not currently holding consolidation talks with any potential buyers. The press had reported that **Lufthansa**, the second-largest airline in Europe, was interested in buying **SAS**, but it recently said it was not interested in investing. **Lufthansa** Chief Executive Officer **Christoph Franz** said there was "very low pressure" to buy **SAS**, because his airline is working on the profitability of the other airlines that it recently acquired. This leaves the door open for **BA-Iberia** or **Air France/KLM** to make an offer, but that is unlikely, because they are also busy. At least the way forward for **SAS** is clear.

a combination of both of the **SkyTeam** partners. European Union (E.U.) rules say that European airlines must be owned by European companies, so a **Delta** purchase would need to be finessed. **Delta** hired **Goldman Sachs** to identify possible takeover targets. **Etihad Airways**, Abu Dhabi, and Dubai's **Emirates** also expressed interest, but they too would have to find away to comply with E.U. rules. **Ryanair** may make an offer, which would allow **Ryanair's** short-haul traffic to feed **Virgin's** extensive international services. All the groups want to gain control of **Virgin's** 288 take-off and landing slots (about 3 percent of the total) at London's **Heathrow Airport**. **Virgin's** other option is to join one of the top three alliances: **oneworld**, **SkyTeam** and **Star Alliance**. This would leave Mr. **Branson** in control of the airline he founded in 1984. The **Air France-KLM-Delta SkyTeam** alliance is attractive since it holds only 5 percent of **Heathrow's** slots and does not have a partner in the U.K. The other two alliances exercise control over a total of 72 percent of the airport's slots and it is not likely that the regulatory authorities would approve the trend toward monopoly. **Virgin** has ties to the **Star Alliance**, which controls 25 percent of **Heathrow's** slots, including code shares with **Air China**, **Air New Zealand**, **Singapore Airlines** and **US Airways**.

TAM SA, Brazil, wants to purchase 31 percent of **Trip Linhas Aereas SA**, in order to become the country's largest airline again. Its rival **GOL Linhas Aereas Inteligentes SA** took that title in February 2011. **GOL** controls 39.8 percent of the Brazilian market, while **TAM's** share stands at 39.6 percent. **TAM** still leads in the international market, with 85.9 percent, while **GOL** holds 12.9 percent. **TAM** is based in Sao Paulo and **Trip Linhas Aereas SA** is headquartered in Campinas, Brazil. **TAM** signed a Letter of Intent to buy the regional airline early this year, but has not concluded the talks. **Trip** has a fleet of 43 aircraft and agreed to buy five EMBRAER 190s and five ATR 72-

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

Feb 2011 vs. Feb 2010	RPK Growth	ASK Growth	Pax Load Factor	FTK Growth	AFTK Growth
Africa	-1.3%	6.9%	60.4	-5.7%	5.2%
Asia/Pacific	3.0%	6.6%	75.4	-4.5%	1.7%
Europe	7.4%	9.8%	72.7	6.3%	9.4%
Latin America	11.8%	12.9%	76.4	12.1%	4.5%
Middle East	8.4%	11.0%	72.2	4.5%	11.5%
North America	6.7%	11.9%	71.7	11.8%	16.5%
Industry	6.0%	9.3%	73.0	2.3%	7.9%

Year to Date 2011 vs. 2010	RPK Growth	ASK Growth	Load Factor	FTK Growth	AFTK Growth
Africa	7.2%	10.5%	65.0	0.9%	9.7%
Asia/Pacific	4.7%	6.9%	76.7	0.7%	5.6%
Europe	7.7%	9.3%	73.3	7.6%	9.6%
Latin America	11.4%	12.6%	77.9	12.4%	4.2%
Middle East	10.3%	11.1%	74.2	9.0%	12.9%
North America	7.8%	10.9%	74.6	12.5%	15.5%
Industry	7.3%	9.2%	74.5	5.5%	9.5%

RPK: Revenue Passenger Kilometers measures actual passenger traffic

ASK: Available Seat Kilometers measures available passenger capacity

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

FTK: Freight Tonne Kilometers measures actual freight traffic

AFTK: Available Freight Tonne Kilometers measures available total freight capacity

600s in January. **TAM** agreed to be bought by **LAN Airlines SA**, Chile, last August for \$3.5 billion. Both transactions need to be approved by their respective country's regulatory agencies.

Copa Airlines said **J.P. Morgan** will provide **Export-Import Bank of the United States (Ex-Im Bank)** guaranteed funding for five new 737-800s that will be delivered in 2011. The \$178.5 million facility includes 12-year financing terms at competitive rates. The **Ex-Im Bank** finances up to 85 percent of a new aircraft's purchase price, so **Copa** is buying the five 737s for an estimated \$42 million each. **J.P. Morgan** will act as the sole arranger and facility agent for the Term Loan Facility, which is available on either a floating- or fixed-rate basis, **Copa** said. Further, the airline will have the option to convert the floating-rate term facility into a fixed-rate term facility. **Copa Airlines**, Panama, provides service to 52 destinations in 25 countries in North, Central and South America and the Caribbean with 40 Boeing 737NGs and 26 EMBRAER 190s.

Southwest Airlines intends to close its transaction to acquire **AirTran Holdings** on May 2, 2011, and its Executive VP of Strategy and Planning, **Bob Jordan** will become **AirTran Airways'** president. The U.S. **Justice Department** anti-trust division approved the \$1.04 billion deal and did not impose any conditions. They concluded that the merger would not hurt competition or raise fares. The two airlines should receive a single operating certificate in 2012, and the transition period for full integration should end in 2013. **Southwest** announced its plan to acquire the outstanding common stock of **AirTran** on September 27, 2010. The combined airline will serve more than 100 destinations, including four new airports added by the carriers in 2011.

Virgin America was battered by higher fuel costs and winter storms in 2010. It reported revenues of \$191 million for the fourth quarter of 2010, and \$724 million for all of 2010. This represented a year-over-year revenue increase of 25 percent and 32 percent respectively, while capacity grew by 17 percent over the year. The company earned its first quarterly net profit in the third quarter. The airline had an operating loss of \$12 million for all of 2010, but this was a dramatic 68 percent improvement from

International Air Transport Association (IATA) Posts Jet Fuel Prices. The organization updates its global average jet fuel price each week. On April 15, the average price of fuel was \$3.33 per gallon, up "only" 13 cents from mid-March's \$3.20 per gallon. **IATA** said fuel prices rose 5.8 percent from the previous month and were up by 45 percent from one year ago. The organization now estimates that the price increases will add \$57 billion to the global airline industry's total fuel costs and fuel will cost the industry \$125.6 billion in 2011. This is up \$7 billion from the March 11 estimate. **IATA** said that every \$1 increase in the price of a barrel of oil adds \$1.6 billion in costs to airlines. The spot price for oil was \$111 per barrel on April 21, up from \$91.31 per barrel on January 1.

Bankruptcy of the Month

ItAli Airlines had its air operator's certificate revoked by Italy's civil aviation administration, **ENAC**, on March 11. **ENAC** said **ItAli** was grounded due to its critical financial situation. It was unable to re-establish itself under new management. The airline operated MD-80s and Dornier 328Jets on domestic routes. The airline became the Western launch customer for the Sukhoi Superjet 100 when it ordered 10 SSJs and optioned 10 in 2007. The airline was dropped from **Superjet International's** firm order book in January.

2009's losses. This was in spite of fuel costs increasing by \$73 million. The airline's full year 2010 results were lower than originally forecast, primarily due to increased fuel costs, the costs of expansion and the impact of the East Coast storms, the airline said.

Cargo Pallet

Nordic Global Airlines (NGA), a Helsinki, Finland-based all-cargo airline, will start operations later this year with MD-11 freighters. The airline plans services from Helsinki to Asia and North America. The company is partly owned by **Finnair Cargo** and **Ilmarinen Mutual Pension Insurance Company**.

Precision Conversions will convert another 757 into a full 15-pallet position 757-200PCF freighter.

Precision started work on ex-**Air Greenland** 757-200 (SN 25620) in late March and the **Rolls-Royce**-powered, -200 PCF will be re-delivered to **DHL** in June, 2011. The airplane is being modified by **Flightstar Aircraft Services** in Jacksonville, Florida. The plane will be operated by **Tasman Cargo Airlines** in Mascot, Australia. The -200PCF will replace **Tasman Cargo's** 727-200F on **DHL** linehaul services.

EADS EFW received its first A320 from **AerCap**. The specialist modification division at Dresden will perform a passenger-to-freighter (P2F) conversion. The 1991-model prototype aircraft (SN 211) is equipped with CFM International CFM56 engines and has flown 35,000 hours. The A320 will undergo design and fuel tests over the next few months, and the conversion work will start in November. **AerCap** and **Airbus Freighter Conversion** signed a contract for 30 A320 conversions in 2008. **AerCap** placed the first three A320 freighters with **West Atlantic** and will be re-delivered to **AerCap** and **West Atlantic** between 2012 and mid-2013. The airline optioned the lease of another four converted aircraft by 2015.

Military Market

The Royal Australian Air Force (RAAF) signed an agreement to acquire a fifth Boeing C-17 Globemaster III airlifter. Due to the **RAAF's** immediate need for an additional airlifter, the **U.S. Air Force** will let Australia take its August delivery position. The C-17 will be assigned to **RAAF Base Amberley's** 36 Squadron, near Brisbane. The **U.S. Air Force** did not drop the C-17 order, but merely delayed its delivery. The **RAAF** said it needed the extra C-17 to meet increased demand for humanitarian and disaster relief missions. **RAAF** C-17s supported relief efforts to earthquake- and tsunami-affected regions in Japan under Operation PACIFIC ASSIST for nearly two weeks in March, **Boeing** said. The **RAAF** also aided Christchurch, New Zealand after its earthquake in February and helped flood victims in several Queensland communities.

Boeing Expects India to Finalize its C-17 Order by the middle of 2011. The government intends to buy 10 of the strategic transports, worth \$4.1 billion. It may option six more C-17s and may buy additional P-8I maritime patrol aircraft. **Boeing Military Aircraft** President **Chris Chadwick** told the Indian press that, "The **Indian Air Force** has to go through numerous government gateways before a final seal of approval can be given. Defense deals of this magnitude do take some time to close, and I expect them to make a decision by mid-2011. The [C-17] offsets package relating to the deal has already been approved." The Indian **Defense Advisory Council** approved the **Indian Navy's** purchase of four additional P-8I Poseidon maritime patrol aircraft; they ordered eight P-8Is in January 2009. **Boeing** subcontractor **Spirit AeroSystems** started building India's first P-8I, and will ship the fuselage from

Wichita to the **Boeing's** plant at Renton. **Boeing** will assemble the plane, install the mission systems, test them, and then deliver the aircraft to India before January 2013.

The United Arab Emirates Air Force's first A330 MRTT completed its maiden flight on April 9. The airplane is fresh out of conversion at the **Airbus Military** facility at Madrid. The UAE A330 MRTT started its certification and qualification flight tests. It will be delivered to Abu Dhabi in the second quarter of 2012.

The Chilean Navy took delivery of the first Airbus Military C295 ASW—Anti-Submarine Warfare aircraft. The airplane was recently certified by **INTA**, the Spanish authority responsible for certification and military airworthiness. The C295 ASW is based on the C295 Maritime Patrol (MPA) aircraft and it is the first ASW type designed and built in Europe since the 1960s-vintage **Bréguet** Br.1150 Atlantique. **Airbus Military** touts this latest variant of the successful C295 family as “a modern and risk-free choice to replace the veteran and ageing P-3 Orion or Atlantique fleets.” The C295 military aircraft was launched by **EADS CASA** in 1996. The plane operates in many military roles, including transportation, medical evacuation and surveillance. The C295 ASW is equipped with two under-wing hard points to carry weapons or other stores. It carries a comprehensive suite of sensors including: search radar, digital avionics that are compatible with night-vision goggles, automatic identification system, acoustic system, and a magnetic anomaly detector. The data from the sensors are processed by the Fully Integrated Tactical System. The **Chilean Navy** ordered three C295s in October 2007, and took delivery of one C295 MPA in December 2009. Two airplanes (SN 067 & 068) were ordered in the ASW version, with delivery scheduled for 2011. Together, the **Chilean Army, Navy and Air Force** operate one C295 MPA, three CN235 transports, and 13 C212 Aviocars. **Airbus Military** has sold 356 CN235 and C295 aircraft to 55 different operators.

Lockheed Martin delivered the second production C-5M Super Galaxy on April 11. This is the fifth C-5M (including the three test aircraft) to be delivered to the **Air Force**. It will be based at **Dover Air Force Base**. **Lockheed Martin** will convert one C-5A, two C-5Cs and 49 C-5Bs into C-5Ms through the **Reliability Enhancement and Re-Engining Program (RERP)**. The program incorporates more than 70 changes and upgrades, including newer, quieter General Electric CF6-80C2 engines making the C-5M more reliable and 10 percent more fuel efficient than legacy C-5s, **Lockheed** said. Several years ago, two C-5As were modified to accommodate large payloads, such as **NASA** satellites. The planes were designated the C-5C. The rest of the C-5A fleet will have new avionics, including new flat panel displays, improved communications, navigation and safety equipment, and a new autopilot system under the **C-5 Avionics Modernization Program (AMP)**. The **Air Force** has improved its 40-year-old C-5As and 20-year old C-5Bs several times and it intends to keep them in service for another 40 years.

The South Korean Coast Guard took delivery of the first two of four **Indonesian Aerospace (IAe)** CN-235-220 MPA maritime patrol aircraft in April 2011. The other two are due in August. South Korea's **Yonhap** news agency reported that the four aircraft were ordered in 2008, at a cost of \$100 million (\$25 million each). The **South Korean Air Force** operates 12 Spanish-built **EADS-CASA** CN-235s and eight CN-235s produced by **IAe**.

AIRCRAFT DELIVERIES & SALES Jet Aircraft

A300. Japan International Airlines (JAL) sold four A300B4-622Rs (SN 729, 730, 753 & 770) to Wells Fargo Bank trustee in February; they were stored at Lourdes, France. JAL sold -622R (SN 837) to Maximus Air Cargo and it was ferried to Dresden for conversion into a freighter by EADS-EFW.

A318 & A319. EasyJet took delivery of three A319-111s (SN 4624, 4635 & 4640) in March. Airbus delivered -132 (SN 4629) to Turkish Airlines—THY. Comlux Malta accepted A319-115X ACJ—Airbus Corporate Jetliner (SN 4622) and flew the plane to Tulsa, Oklahoma, for interior fitting. Rossiya is buying -115X ACJ SN 4679 later this year.

In April, Germania took delivery of the first of five new 150-seat A319-112s (SN 4663), through its parent holding company, S.A.T. The airline is rolling over its fleet to the A319, and the last one is due by the end of 2013. The carrier will fly the A319s to 30 destinations in Europe, the Mediterranean region and the Middle East. Germania acquired three four-year-old -111s from Hamburg International and Niki this year and it also operates nine 1998-model 737-700s.

A320. Airbus delivered 26 A320s in March. In Europe, Air France accepted two -214s (SN 4501 & 4604); easyJet took delivery of two -214s (SN 4636 & 4646); Wizz Air Hungary received two -232s (SN 4621 & 4628), and Air Berlin bought two -214s (SN 4613 & 4631). The latter aircraft (SN 4631) was leased to Belair Airlines, Switzerland. Aer Lingus acquired -214 (SN 4634); the airplane, named “St Coleman,” was delivered in a retro-1960’s color scheme to celebrate 75 years of flying by the airline. Aer Lingus’ six-seat de Havilland 84 Dragon, named “Iolar” flew the airline’s first service on May 27, 1936, between Baldonnell, Ireland, and Bristol, U.K. Swiss International Air Lines purchased -214 (SN 4618). In Asia, Airbus delivered three -232s (SN 4614, 4630 & 4637) to Indigo. China’s Spring Airlines accepted a -214; China Southern Airlines bought -214 (SN 4507), and Shenzhen Airlines received -214 (SN 4633) on the last day of the month. Sichuan Airlines leased -232 (SN 4619) from ILFC and leased -232 (SN 4642) from Aerodragon Aviation Partners. In the Americas, LAN Airlines received -232 (SN 4657); Avianca accepted -214 (SN 4599), and JetBlue Airways bought -232 (SN 4612). Aviation Capital leased two -232s (SN 4610 & 4616) to Virgin America and Frontier Airlines leased -214 (SN 4641) from AWAS. Airbus delivered -232 (SN 4615) to Qatar Airways and -232 (SN 4632) to MEA—Middle East Airlines.

Political Unrest may be upsetting Airbus’ delivery schedules. A320-214 (SN 4623) was originally allocated to Nouvelair Tunisie, but will now be delivered to Belle Air, Albania. Two Afriqiyah Airways’ -214s (SN 4596 & 4639) are sitting on the ramp at Toulouse. The airline is a subsidiary of Libyan Airlines.

A321. Airbus delivered six A321s in March, including two -232s (SN 4643 & 4654) to Turkish Airlines—THY. Lufthansa received -231 (SN 4626) and Niki bought -211 (SN 4648). Air China took delivery of -232 (SN 4617) and China Eastern accepted -231 (SN 4638).

A330 & A340. Airbus delivered three A330-200s and four A330-300s in March. **Korean Air** accepted -223 (SN 1203) and **Avianca** bought -243 (SN 1208). **Aircastle Advisor Ltd.** leased -243 (SN 1210) to **South African Airways**. **Turkish Airlines—THY** took delivery of two -343Es (SN 1204 & 1212). **AerCap** leased -323E (SN 1211) to **Asiana** and -343X (SN 1206) to **Virgin Atlantic Airways**. **Virgin Atlantic** subleased the plane to **China Airlines**.

Virgin Atlantic Airways deployed two of its twin-engined A330-300s on its transatlantic routes. Prior to this, the airline operated four-engined A340s and Boeing 747s on its long-haul services. The A330s are flying between Manchester and Orlando and are fitted with 59 Premium Economy seats and 255 seats in Economy class. The airline ordered 10 A330-300s in December 2009, and will take delivery of them in the next two years.

AWAS delivered new A330-243 (SN 1214) to **Garuda Indonesia Airlines** in April; after a ten-year hiatus. This marks the revitalization of a strong partnership between **AWAS** and **Garuda**, the Dublin-based lessor said.

A380. **Lufthansa** received its fifth and sixth A380-841s (SN 061 & 066) in March, and it will take delivery of two more A380s by mid-summer. **Airbus** has now delivered 45 A380s. **China Southern Airlines'** Chairman **Si Xianmin** said the airline will take delivery of its first A380-841 (SN 031) in August; the airplane first flew in March. **Singapore Airlines** reports that it delayed delivery of its 12th A380 from April to October 2011, and its 19th A380 from January 2012, until January 2013.

Boeing 737NG. **Boeing** delivered a near-record 38 737s in March. This is the highest number of 737s built since 2009. **Ryanair** took delivery of another eight -8AS/Ws (SN 34984, 34985, 34986, 34987, 40309, 40310, 40311 & 40312) in March, matching its February total. The airline ordered 338 737-800s since March 1999, and has received 308 of them to date. Elsewhere in Europe, **Norwegian Air Shuttle ASA** accepted four -8JP/Ws (SN 39005, 39006, 40867 & 40868) and **TUI Travel plc** leased two new -8K5/Ws (SN 37253 & 37254) to **Thomson Airways**, U.K. **Air Berlin** received -76J/W (SN 36874); it is the first -700 to be delivered with the new Boeing Sky Interior. **Boeing** delivered eight -800/Ws to leasing companies, including three to **GECAS**. The world's largest leasing company leased -86N/W (SN 38014) to **TUI Airlines Nederland**, -86N/W (SN 38015) to **Xiamen Airways** and -86N/W (SN 38016) to **Shandong Airlines**. **Aviation Capital Group** leased -8CT/W (SN 39092) to **WestJet**. **Malaysia Airlines** leased -8FZ/W (SN 38319) from **BBAM - Babcock & Brown**. **AWAS** leased -81D/W (SN 39413) to **Virgin Blue Airlines**, and **CIT Leasing Corporation** leased two -7K2/Ws (SN 38125 & 38126) to **KLM-Royal Dutch Airlines**. In the Americas, **Boeing** delivered -7H4/W (SN 36671) and -7BD/W (SN 36726) to **Southwest Airlines**. The latter airplane was ordered by **AirTran Airways**, which is being acquired by **Southwest** in May. **Continental Airlines** accepted two more -824/Ws (SN 39998 & 39999) and has just one more on order. **Copa Airlines** received two -8V3/Ws (SN 40665 & 40666). In Asia, **Air China** took delivery of -89L/W (SN 40026) and **Xiamen Airlines**

Lufthansa sold two A340-313Xs to the **German Bundeswehr's Special Air Mission Wing** for conversion into long-haul VIP transports. The A340s will replace two A310-300s that will be retired. The **Bundeswehr** also operates two new VIP A319 ACJ's that were modified by **Lufthansa Technik** and delivered in March and May 2010. The first A340 (SN 274) was handed over to the **Air Mission Wing** in March. The aircraft will be completely overhauled, repainted, and fitted with military equipment and a VIP cabin over the next 21 months. The second A340 will be acquired this summer.

bought -85C/W (SN 37153). **Malaysia Airlines** acquired -8H6/W (SN 40131) and **flydubai** accepted its 13th -8KN/W (SN 40243). **Pegasus Airlines** received two -82R/Ws (SN 40724 & 40728).

Boeing delivered the first of four 737-8ZQ/Ws (SN 40884) to Algeria's **Tassili Airlines** in March. The airline is a fully owned subsidiary of **Sonatrach** – the state-owned Algerian oil company. **Tassili** transports **Sonatrach** employees between its oilfields and bases. **Air Algérie** accepted its 50th Boeing jetliner – its fourth 737-8D6/W (SN 40861). The North African carrier received its first Boeing jet in March 1971. It now operates 18 737s and three 767s.

Boeing 747. Two 747-4HQERFs (SN 37303 & 37304) are still stored at Marana, Arizona. The planes were officially delivered to Kuwait's **LoadAir Cargo** in November 2009. The airline has not started operations and its web page has not been updated since mid-2009.

The Second Boeing 747-8 Intercontinental flew on April 26, and begins 600 hours of flight testing. The airplane is painted white with a plain blue tail (this is reminiscent of the **Lufthansa** color scheme). The plane will be used primarily for testing the various passenger interior systems, such as heating, venting and air conditioning, smoke detection and galleys, and **Boeing** will also perform fuel consumption and reliability tests with the airplane.

Boeing 757. **US Airways** chief executive **Derek Kerr** said the airline is looking to acquire more 757s, but complained that “there's not a lot out there,” because **FedEx** “gobbled them up” in its quest for 90 757s for conversion into freighters.

Boeing 767. **Boeing** delivered -381ER (SN 40984) to **All Nippon Airways** in March. **ANA** has four more 767-300ERs on order.

AWAS Leases. The Dublin-based lessor leased 767-33AER (SN 27447) to **El Al Israeli Airlines**, the flag carrier of Israel. **El Al** now operates four -200ERs and five -300ERs. The -33AER was previously leased to **GOL Transportes Aereos**, Brazil. **AWAS** announced that it will lease a second -33AER to **Nordwind Airlines**, Russia. The Moscow-based airline operates charter flights with 13 aircraft, including three 767s and seven 757s to various leisure destinations in Turkey, Europe, Egypt, India, UAE, Thailand, and China.

Boeing Sky Interior. **Lion Air**, Indonesia, took delivery of its first 737-900ER fitted with the new Boeing Sky Interior in April. This is the airline's 43rd -900ER and it has another 123 -900ERs on order. **Continental Airlines** received its first 737-924ER with the Boeing Sky Interior this month, becoming the first U.S. airline to operate the -800 and the -900ER with the all-new interior. All of the airline's subsequent 737NGs will be fitted with the Sky interior. **Boeing** announced that **Continental** converted 19 737-700 orders to the 737-900ER model and will take delivery of all 19 -900ERs next year. The airline has ordered 52 -900ERs.

Jackson Square Aviation long-term leased a fourth 737-846/W to **Japan International**. **DVB Bank SE** provided senior debt for the aircraft.

Ryanair returned seven three-year-old 737-8AS/Ws (SN 33555, 33558, 33559, 33560, 33561, 33562 & 33563) to **RBS Aerospace Ltd.** The planes were leased to other operators.

Boeing 777. Boeing delivered four 777s in March. **Turkish Airlines-THY** accepted its ninth 777-3F2ER (SN 40794) and **Air New Zealand** received its third -319ER (SN 38407). **Cathay Pacific Airways** took delivery of its 16th -367ER (SN 39232) and **Qatar Airways** bought its 14th 777-3DZER (SN 38245).

Bombardier delivered three CRJ700ER NextGens (SN 10321, 10323 & 10324) to **American Eagle** in March and April. **RBS Asset Finance** leased new CRJ700ER NG (SN 10322) to **Dow Chemical Company**. **Brit Air** leased CRJ1000EL NG (SN 190152) from **Constellation Finance** in March.

Dornier 328 Support Services GmbH has handed over the first of three Dornier 328 jet conversions to **SkyBird Air**, Nigeria. The 328SSG is a 32-seat passenger airliner and it will enter operations in May. The airline has two 328DBJ VIP aircraft on order for delivery late this summer. The three aircraft and maintenance contracts are worth €14 million.

Embraer delivered two EMBRAER 170-200 LRs (SN 17000323 & 17000324) to **Oman Air** in March. The airline has another three 71-seat E-175s on order. Two EMBRAER 190s and two EMBRAER 195s were delivered to European airlines. **Finnair** accepted E-190 (SN 19000416) and **Niki Luftfahrt** received E-190 (SN 19000420). **Lufthansa Cityline** leased E-195 (SN 19000423) from **Lufthansa** and **Globalia** leased E-195 (SN 19000425). **Tianjin Airlines** received E-190 (SN 19000417) and **JetBlue** accepted E-190 (SN 19000422). One E-190 (SN 19000418) was delivered to **Jetscape** and it was leased to **Air Astana**. **Azul Linhas Aéreas Brasileiras** took delivery of its 19th E-195 (SN 19000419).

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

McDonnell Douglas. **American Airlines** will retire at least 25 of its 219 MD-80 aircraft this year. The MCD planes account for 35 percent of **American's** total fleet and they average 19-years of age.

Boeing delivered **Qatar Airways'** 25th 777, a -3DZER (SN 38246), on April 1. The -300ER (extended range) model can carry up to 335 passengers in a two-class configuration for up to 7,930 nautical miles (14,685 km). The airline now operates eight ultra-long-range 777-200LRs, two 777 freighters, and 15 -300ERs. It ordered its first 777s in 2007, and has one -200LR, four -300ERs, and four 777Fs still on order.

Jackson Square Aviation (JSA) delivered Boeing 777-328ER (SN 39973) to **Air France** through a long-term operating lease. **DVB Bank AG** provided senior debt for the aircraft. **JSA's** VP of Marketing, **Chris Dailey** said, "This is the first of four 2011 deliveries we have in place with **Air France**. Between this 777 and three A320s, which deliver later this year, we are delighted to count **Air France** amongst our largest customers."

Egyptair hired **DVB Bank's Aviation Asset Management** subsidiary to re-market three of its five 777-266ERs (SN 28423, 28424 & 28425). The airplanes were delivered in 1997. The airline will retain its two 2001-model -266ERs (SN 32629 & 32630).

They are being replaced by new 737-800s. **Delta Air Lines** retired 28 of its DC-9s by December 2010 and will ground the other 39 within 18 months.

Turboprops

ATR. **Taimyr Airlines (NordStar Airlines)**, Russia, took delivery of its first ATR 42-500 (SN 823) in March. Three more (SN 827, 835 & 839) will be delivered shortly. **ATR** delivered ATR 72-500 (SN 946) to **Wings Abadi Airlines** and two more **Wings** ATR 72s (SN 957 & 961) were seen at **ATR's** manufacturing plant in Toulouse. **Israil's** first ATR 72-500 (SN 962) is on the production line. **Syrianair** is the undisclosed customer for an ATR 72-500 (SN 931), which is parked on the ramp. **Nordic Aviation Capital (NAC)** will acquire four ATR 72-500s from **China Southern Airlines** and lease them to **Nok Airlines** later this year. **Nordic** also purchased ATR 42-500 (SN 579) from **ATRIam Capital**, Ireland. The **AELIS Group** sold the ATR 72-200 (SN 307) to lessee **Danube Wings**, Slovakia.

The Government of Saskatchewan's first converted CL-215T amphibious water bomber has entered service in Canada. The Province purchased four turbine conversion kits for its piston-engined CL-215 fleet. **Bombardier** said the "conversion kits will enhance reliability and efficiency while addressing engine obsolescence. The manual flight controls have been upgraded with hydraulic-powered systems to better benefit from the added engine power and to reduce pilot workload. In addition, the electrical distribution system, the engine fuel system, the master caution indication and monitoring systems have been modernized."

Bombardier delivered Dash 8Q-402NG (SN 4350) to **Flybe** in March and it was immediately offered for sale by its new owner. **Horizon Air** took delivery of three -402NGs (SN 4352, 4353 & 4358). **Colgan Air** accepted two -402NGs (SN 4351 & 4354) and put them into service for **Untied Express**. **Porter Airways** received -402NG (SN 4359) at the end of the month. **Bombardier** built Dash8Q-402NG (SN 4262) for **Arik Air**, Nigeria, but the order was apparently cancelled and the plane was delivered to **Air Niugini** in March; the **Air Niugini** order was announced in January.

SAAB. **NOK Mini**, a new Thai regional airline, leased two Saab 340Bplus turboprops from **Saab Aircraft Leasing**. **NOK Mini** is a codeshare partner with the low-cost carrier **NOK Air**. The airline started operations on April 1, between Bangkok's **DonMuang Airport** and eight cities in Thailand's north. **Delta** announced that it would retire its entire fleet of 35 Saab 340Bplus planes in the next 18 months; the airline had grounded nine Saab 340Bplus aircraft by December 2010.

Antiques and Other Junque

AELS, the Netherlands, will dismantle ex-**FedEx** A310-300 (SN 654). The airplane was purchased from **Air India** in 2007, and flown to Dresden, Germany, for conversion into a freighter by **EADS EFW**. The airplane was never converted because of the recession and the decline in freight traffic. The A320 will now be taken apart by **AELS** with some components recycled and recertified as spare parts.

Aer Lingus is scrapping its first A330-301 (SN 059) at Greenwood, Mississippi, this spring. The airplane was delivered new to **Air Inter** in June 1994, purchased by **Aer Lingus** in March 1997, and was retired in February. This is the first A330 to be voluntarily scrapped. The three others were damaged in accidents or military raids.

Ryanair scrapped two-year-old -8AS/W (SN 33639) at Kemble, U.K., in July 2010. The airplane suffered multiple bird strikes on the nose, wings and engines in Rome in November 2008. The left hand main gear collapsed upon landing and the plane was considered a write off. Presumably, the 737 was repaired well enough to be ferried back to the U.K. This may be the first 737NG to be scrapped. **AerCap** also said it was scrapping one of its 737-700s in April.

Werner Aero Services acquired another Fokker F.100 (SN 11266). This aircraft will be disassembled and the components will be used to support the company's **NIRVANA** program. This program provides access to the pool of spare F.100 parts on an exchange basis. The components will also be used to support **Werner's** Repair Management Program that provides lower cost solutions for airline operators worldwide, the company said.

Accidents and Safety

From Aviation Safety Foundation

Southwest Airlines Boeing 737-3H4/W (N632SW, SN 27707) lost cabin pressurization when a section of fuselage ripped open in flight on April 1. The plane landed safely at Yuma, Arizona. A flight attendant and one passenger were injured in the rapid, but controlled descent. The plane carried 118 passengers and crew.

The Southwest Airlines 737-300 was nearly 15 years old at the time of the incident. It had flown 39,781 cycles and its fuselage skin was inspected on March 29, **Southwest** Spokeswoman **Linda Rutherford** said. After the incident, the **Federal Aviation Administration** issued an emergency directive requiring U.S. airlines to inspect about 175 737-300s, -400s and -500s for cracks. **Boeing** built 1,988 737 Classics and there are 1,800 still flying; each of the affected airplanes have flown more than 30,000 cycles. **Southwest** grounded 79 of its 171 737-300s and 25 737-500s for inspection on April 2, and had to cancel more than 700 flights. It found tiny cracks in the fuselage of five airplanes and will keep them out of service until **Boeing** comes up with a repair plan. The rest were returned to service. The manufacturer issued its own service bulletin urging carriers to check lap-joints on the high-time 737 Classics. The lap-joint is where the aluminum fuselage skin panels overlap and are attached with fasteners. This is where the skin failed in a neat tear. The **National Transportation Safety Board** started its investigation of the incident and found that the maintenance records and inspections were up-to-date, and there were no discrepancies and no outstanding maintenance items. **Boeing, Southwest, the FAA and NTSB** were all surprised that the lap-joints failed so early in the airplane's life. The airline's planes have more cycles than average due to high utilization rates and short average flight length. All airlines have carried out "well-established" procedures to check for fatigue since the roof of a high-time **Aloha Airlines** 737-200 ripped off in flight in 1988. The inspections call for mechanics to examine aircraft with electromagnetic instruments, looking for quarter-inch cracks near the fasteners.

This is the Third Time in Two Years that metal fatigue led to fuselage skin failures. In July 2009, an 18-by-12-inch hole opened in **Southwest** 737-3H4 (SN 26602), which was 15 years old and had flown 42,500 cycles. That incident caused the **FAA** to order fuselage checks for metal fatigue on 135 737 Classics in the U.S., and **Boeing** issued a service bulletin. Last October, a two-square-foot hole blew open on **American Airlines'** 10-year-old 757-223 (SN 24584) while the plane was flying at 31,000 feet. That and an 11-inch crack found in a **United Airline** 757 caused the **FAA** to order checks on 683 Boeing 757s.

Boeing said it is confident that there are no cracking problems with the 737 Next Generation airplanes it is building. The latest model of the 737 has a "significantly different and much improved" lap-joint design that should not have the same fatigue problem as the 737 Classic. The manufacturer has fatigue tested the 737NG to three times its design life of 75,000 cycles, and had found no cracking. The oldest 737-300/400/500 models, built between 1993 and 2000, face numerous expensive inspections until the cause of the tearing is discovered. The damaged section of the 737 was delivered to the **NTSB** in Washington, D.C., for further analysis. The inspections are merely an interim measure until the experts identify the cause and a solution is devised. It is possible that a mandatory design modification will be needed later. The current lap-joint design was built into the 737 Classic as a correction to a previous version that could result in the cracking along the lower row of fastener holes. **Boeing** required that more than 2,200 737-200s had the improved skin panels retrofitted before the planes flew 50,000 cycles. **Boeing** tested the 737 Classics' lap-joint design and thought the lap-joint's fatigue performance required inspections nearer the area of 60,000 cycles. The design fell short of that goal by 20,000 cycles. Now, the **FAA** will require airlines to repeat the eight-hour inspections every 500 cycles – approximately every three or four months.

Air France found the wreckage of its A330 that crashed into the Atlantic Ocean in June, 2009. Debris from Flight 447 was found about 12,800 feet below the surface, but the flight recorders have not yet been discovered. The recovery of the "black boxes" will take first priority. The salvage team's submarines found many bodies in the wreckage. This sad fact will make the removal and study of the aircraft debris more difficult and time consuming. The recovery team took 13,000 photos of the airplane and pulled some pieces from the ocean's floor. It is probable that the investigation will find the cause of the crash that has mystified the airline and **Airbus** for the last two years.

Georgian Airways Canadair CL-600-2B19 Regional Jet CRJ-100ER (4L-GAE, SN 7070) crashed at **Kinshasa-N'Djili Airport**, Democratic Republic of the Congo, during rainy weather on April 4. The regional jet was chartered to the **United Nations Organization Stabilization Mission** and was carrying 29 passengers and four crew from Entebbe, Uganda. Only one person survived the accident.

Fugro Aviation Canada CASA C-212-CC40 Aviocar 200 (C-FDKM SN 196) made a forced landing on a street in the city of Saskatoon, Saskatchewan, on April 1. The plane was returning to the airport when both engines lost power. It landed on a road two miles short of the runway, but the aircraft struck a road embankment and was destroyed. One crew member was killed and the other two were injured.

Colateral Damage. Two **Air Libya** Yak-40s, (5A-DKG, SN 9640152 & 5A-DKM SN 9841659) were destroyed during **Libyan Air Force** air raids on Bengazi, Libya on March 17.

AVMARK CAPABILITIES

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

ASSET MANAGEMENT PROGRAMS

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

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Our staff undertakes corporate reviews of entire airlines or specific aspects of airline operations, advising airline executive management, government and international organizations (i.e. World Bank), on various aspects of airline restructuring and/or privatization. Specific issues addressed include airline valuation, strategic planning, scheduling and fleet planning, market development, revenue management, operations and maintenance efficiency. We also provide a full range of services for start-up carriers.

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We publish the **AVMARK Newsletter** monthly; containing market information, various analyses and commentary; also reports all orders, purchase sales and leases of new and used transport aircraft. We also publish several other statistical compilations from our extensive database on aircraft, carriers, traffic, costs and operations.

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

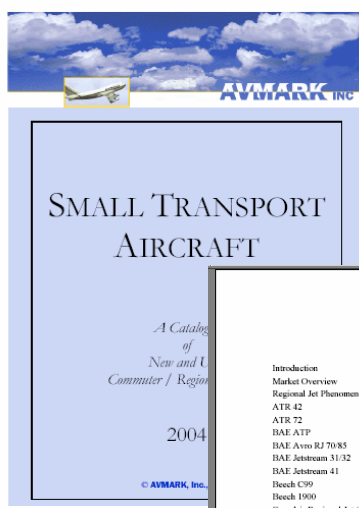
AVMARK's Historic Jet and Turboprop Values; summary of the then current fair market values as published in the AVMARK Newsletter for all jets and turboprops in service.

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

Sample of Avmark Publication

SMALL TRANSPORT AIRCRAFT CATALOG

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



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

Most dynamic and fastest growing segment in the airline industry is the use of old generation propeller aircraft to transport 50 million passengers using state of the art technology.

Online Association (RAA):

Online:

99%:

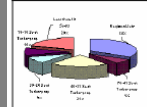


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Embraer 120 Brasília	108
Embraer Regional Jet (ERJ) 135/140/145	112
Embraer 170	121
Metro	124
Fokker 50	128
Fokker 70	132
Let 410/420	136
Seab 340	140
Seab 2000	144
Shorts 330	148
Shorts 360	152

ATR 42-300

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

Specifications	
Accommodations	40
Passengers*	40
Pilots	2
Cabin Attendants	1
Powerplant	1,800 SHP / 1,342 kW
2 Pratt & Whitney PW120 Turboprops	4 blades
Wingspan	74 ft 5 in
Length	60 ft 7 in
Height	24 ft 11 in
Wings Area	48 ft 3 in
Wing Loading	6.8 ft 5 in
Wing Span	6.8 ft 5 in
Wing Area	170 / 170 / 53 sq ft
Weight	36,815 lb
Max. Ramp Weight	36,155 lb
Max. Takeoff Weight	33,510 lb
Max. Landing Weight	22,875 lb
Max. Zero Fuel Weight	10,835 lb
Max. Ramp Weight	9,920 lb
Max. Takeoff Weight	62.83 lb / sq ft
Max. Landing Weight	10.22 lb / sq ft

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

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

Avionics: EDZ 820 Electronic Flight Instrument System (EFIS) - 4 CRT's for dual display, Altitude and Heading Reference Systems (AHRS), Autopilot, Flight Director, 1 DFC-600 Autopilot, Flight Director, Dual King Gold Crow Dual King Gold Crow VHF Nav, Radar, DME, Radio Altimeter, Honeywell P-800 Weather Radar.

Price List

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

Direct Operating Costs (\$ per block hour)

Utilization (Block Hours / Year)	Cost (\$ mil)
100	300

Average Stage Length (nm)

Stage Length (nm)	Cost (\$ mil)
100	300

Flying Operations

Flight Crew, Salaries / Expenses	\$180
Fuel, Oil, Taxes	\$173
Other	\$3

Aircraft Costs

Insurance	\$3
Maintenance	\$476
Depreciation	\$62
Rentals	\$318

Total Direct Operating Costs

Cost per Available Seat Mile - \$	12.33
Cost per Airplane Mile	\$5.67
Cost per Seat Block Hour	\$19.67

Note: Data from DOT 41line filings.

ATR 42-300

ATR 42



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

The baseline aircraft is the ATR 42-300/320 powered respectively by PW120/121 engines. The latest version is the ATR 42-500 powered by PW127x engines and Hamilton six bladed propellers. Thus increasing the payload to 12,015 lb and the cruise speed to 300 kts.

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

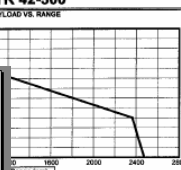
The ATR 42 and ATR 72 have a very high degree of commonality, allowing for cross-crew qualification, and a common spare parts holding.

TYPICAL CABIN CONFIGURATION

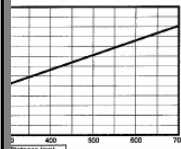
48 seats in a four abreast layout with a center aisle. Access to the cabin is by an air stair at the rear passenger door, and a modular galley in the rear of the aircraft is serviced through the same door. A standard toilet is located in the rear of the aircraft behind the passenger door. Baggage is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

ATR 42-300

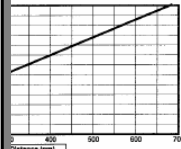
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Select Aircraft Type

Available Aircraft

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

Picture



Selected

Airbus A340-300

Description

Widebody 4 Engine Passenger

Manufactured

1992 To 2006

Values

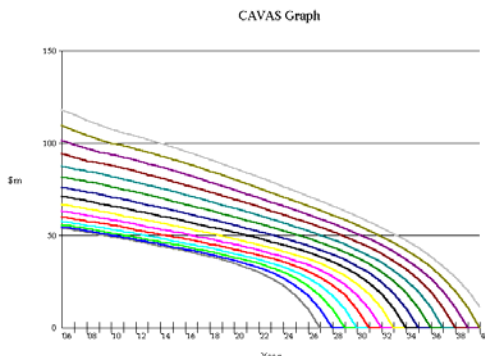
\$54.00m \$118.00m

Estimated Life

35 years File No. 013

Search Term

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CAVAS Figures

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
2006	54.00	54.61	55.83	57.66	60.10	63.54	66.80	71.07	72.94	81.43	87.52	94.23	101.54	109.47	118.00
2007	52.83	53.49	54.73	56.34	58.98	62.01	65.42	69.85	74.86	80.37	85.92	92.18	99.12	106.73	115.25
2008	51.69	52.36	53.61	55.43	57.85	60.94	64.43	68.69	73.65	79.18	84.76	90.49	96.97	104.20	112.39

Profit & Loss Report

Aircraft Type: Airbus A340-300

Period	1	2	3	4	5
REVENUES (US\$)					
Passengers	49,328,754	49,270,739	49,212,559	49,154,213	49,095,701
Freight & Mail	8,879,176	8,868,733	8,856,261	8,847,758	8,837,226
Other Revenue	986,575	985,415	984,251	983,084	981,914
TOTAL OPERATING REVENUE	59,194,505	59,124,887	59,055,070	58,985,055	58,914,841
VARIABLE EXPENSES					
Fuel	6,918,975	6,917,743	6,916,470	6,915,177	6,913,846
Landing Fees	3,021,823				
Enroute Charges	392,440				
Pax Commissions	7,399,313				
Freight Commissions	1,331,876				
Food & Supplies	3,999,194				
Passenger Liability Insurance	379,590				
TOTAL VARIABLE COST	23,443,212				
SEMI-VARIABLE EXPENSES					
Crew Salaries & Expenses	5,177,760				
Maintenance & Engineering	587,650				

Profit & Loss Report

Aircraft Type: Airbus A340-300

Period	1	2	3	4	5
FIXED EXPENSES					
Station Overhead	346,597	345,923	345,249	344,575	343,901
Maintenance Burden	176,295	351,824	526,586	700,581	873,810
Other Overhead	0	0	0	0	0
TOTAL FIXED COST	522,892	697,747	871,835	1,045,156	1,217,711
TOTAL OPERATING COST	31,464,497	32,186,749	32,903,601	33,618,052	34,329,104
General and Admin. Allocation	1,573,225	1,609,287	1,645,180	1,680,903	1,716,495
TOTAL COST	33,037,722	33,796,036	34,548,781	35,298,955	36,045,599
OPERATING PROFIT OR LOSS	26,156,782	25,329,851	24,506,290	23,686,100	22,869,282
D-CHECK ADJUSTMENT					
Cumulative Hours	4,830	9,650	14,459	19,257	24,045
Cumulative Dollars	315,000	0	0	0	0
ADJUSTED CASH FLOW	25,841,782	25,329,851	24,506,290	23,686,100	22,869,282
AIRCRAFT LIFE ADJ. CASH FLOW	25,841,782	25,329,851	24,506,290	23,686,100	22,869,282

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Small Transport Aircraft Catalog:

\$350 US per Year (Current)

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

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