



AVMARK INC.®

WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

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Newsletter

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AVMARK Founder Morten Beyer Dies

AVMARK was founded by **Morten** and **Jane Beyer** and **Joseph Murphy** in 1962. **Morten** was a 41 year old airline executive and **Joe** was an aviation analyst, who later left AVMARK to found *Air Transport World* and other aviation publications. **Morten** continued to lead airlines until 1976 when he started consulting full time. This was during the Second Oil Crisis and “The market for used airline presidents was pretty thin,” **Morten** wrote in his autobiography “*Flying Higher*.” “I hung out my shingle as an airline consultant,” and the consultancy was very successful. AVMARK advised various clients around the world, including **Air Berlin USA**, **Western Airlines**, **Braniff**, **Eastern** and **Pan American** through the problems of getting started, merger and bankruptcy. **Morten** sold the company to his daughter **Barbara Beyer** in 1989 and went on to found **MBA—Morten Beyer & Associates**. **MBA** was changed to **Morten Beyer & Agnew** when the new company merged with **Robert Agnew’s Agnew & Associates**. **Morten** was also a founding father of **International Society of Transport Aircraft Trading—ISTAT** and **Avitas**. He retired in 2005 after 61 years in the aviation business, starting at **Pan American** in 1943. **Morten** was married to **Kittie Frick** for 21 years and is survived by three of his four children, **Nancy Evans**, **James Beyer** and **William Beyer** and six grand children. His eldest daughter and AVMARK owner, **Barbara Beyer** unexpectedly died after a surgical complication in 2009. **Morten’s** first wife and AVMARK co-founder, **Jane Hartman Beyer** died in 1996. **Mort** was just three weeks shy of his 89th birthday when he suddenly left us. His family and friends will miss him greatly.

Market Comment

U.S. Airlines Are Profitable Again—For the First Time in Years.

The U.S. airline industry crashed in 2008 when fuel prices doubled and then the economy crashed into the deepest recession since the 1930s. The industry as a whole, retrenched and cut capacity and jobs, doing the near-impossible—shrinking to profitability. The airlines reacted to the

downturn by cutting capacity, closely watching expenses, raising ticket prices and increasing revenue by charging for services which were once free. Part of the recovery came from high-yield business travelers flying international routes when the economy picked up in 2010. Until then, the airlines filled its premium seats with lower-fare frequent flyer upgrades. Since the beginning of Deregulation in 1978,

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airlines tried to buy market share through low fares—which sank profits. **US Airways’** CEO **Doug Parker** said, “Managements [this time] are focusing on returns rather than market share. I do see discipline. It feels different. Fundamental restructuring really has taken place. Consolidation has happened.” He warned that airlines could “succumb to temptation” and return to past unprofitable practices. **Delta** CEO **Richard Anderson** explained a run up of airline stock value by saying recent consolidation made the airline industry more attractive to investors. He predicted the merger and acquisition process was three quarters complete in domestic and international markets. Some U.S. carriers were left behind by the **Delta-Northwest** and **United-Continental** mergers and the planned **Southwest-AirTran** merger. The consolidation craze left **American** and **US Airways** in the dust, not to mention niche market players like **Alaska** and **Hawaiian**. The new low-cost carriers like **JetBlue** and **Virgin America** are trying to grow their way to prosperity by adding expensive new A320s. **JetBlue** put the brakes on growth by deferring a dozen deliveries scheduled for 2012 and 2013. The airline will take 25 new planes on schedule. **Virgin America** ordered new Airbuses from both the manufacturer and leasing companies.

The three biggest airlines in the U.S. reported \$1.391 billion in combined profits. **Delta Air Lines** reported earnings of \$363 million, compared with a year-earlier loss of \$161 million. Delta’s revenue rose 18 percent to \$8.95 billion in the third quarter. **United Continental Holdings** saw combined earnings jump to \$885 million from \$28 million a year earlier. Its revenue increased 21 percent to \$9.35 billion. **American** posted a profit of \$143 million, a half billion increase from last year’s loss of \$359 million. Its revenue rose 14 percent to \$5.84 billion. Number 5 airline **US Airways** earned \$240 million compared with a year-earlier loss of \$80 million. It saw its revenue increase by 17 percent to \$3.18 billion. **Southwest** lost \$16 million last year and earned \$205 million in the most recent quarter. Its revenue grew 20 percent to \$3.2 billion. **JetBlue’s** capacity rose by 10 percent and its revenue climbed 21 percent

to \$1 billion. The airline earned \$59 million, up from \$15 million profits last year. **Alaska Air Group** grew its profits to \$122.4 million from \$87.6 million; revenue advanced 10 percent to \$1.1 billion. **Jeff Smisek**, CEO of **United Continental Holdings** reconfirmed the secrets of success, “We remain committed to capacity discipline. We will not grow for growth’s sake. We want to de-risk the business.” This will be a challenge with fuel prices creeping up. The other economic trends are uncertain and will not ease until long after the election.

Airbus Orders

Airbus Had Another Strong Sales Month in September. The company signed contracts for 78 single-aisle and widebody aircraft. It delivered 45 airliners as well. **Lufthansa Group** ordered 19 A320s, one A321 and three A330-300s for **Lufthansa**; two A320s, two A321s and five A330-300s for **Swiss International Air Lines**, and eight A319s for **Germanwings**. **Lufthansa Group** is now **Airbus's** biggest airline customer and has ordered a total of 410 **Airbus** aircraft. **Cathay Pacific Airways** confirmed its previously-announced order for 30 A350-900 XWBs, bringing the A350 program to 558 firm sales by 34 customers worldwide. **Malaysia Airlines** bought two A330-200F freighters bringing the airlines total to four of the new mid-sized cargo aircraft. They will be operated by **MASKargo**. The first sale of the month was three A319s to **Tibet Airlines** and the last sale in September was three A320s to the Irish leasing company **AerCap**.

Airbus September 2010 Orders, Deliveries and Backlog

SEP ORD	SEP DEL	SEP CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	83	73	10
			A319		
11	5	-0-	1,521	1,266	255
			A320		
24	27	-4	4,275	2,469	1,806
			A321		
3	1	-0-	834	617	217
			A330		
10	11	-0-	1,113	726	387
			A340		
-0-	-0-	-0-	380	374	6
			A350		
30	-0-	-0-	558	-0-	558
			A380		
-0-	1	-0-	234	37	197
This Month			This Year		BL
78	45	-0-	328	380	3,705

Airbus sold 9,814 aircraft and delivered 6,378 as of September 30, 2010

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

In September, Airbus delivered one A380 (to **Emirates**) and 11 A330s and the company produced five A319s, 27 A320s and one A321, including the first new A320 for **Libyan Airlines**.

Malaysia Airlines ordered two more A330-200F freighters through the conversion of two existing options. The four A330Fs will be operated by **Malaysian's** cargo subsidiary **MASKargo**. The A330Fs will be powered by **Pratt & Whitney** PW4000 engines and can carry 65 tons of cargo over 4,000nm/7,400km or 70 tons over 3,200nm/5,900km.

Lufthansa Group's Board purchased 40 Airbus aircraft worth approximately \$4.3 billion. **Lufthansa** alone will take one A321, 19 A320s and three A330-300s. **Swiss International Air Lines** will acquire two A320s, two A321s and five A330-300s. **Germanwings** will receive the remaining eight A319s. The **Lufthansa Group** was a launch customer for the A300 back in the early 1970s and has bought every Airbus except the A318. **Lufthansa Group** currently operates approximately 325 Airbuses. The **Rolls-**

Royce Trent 700 engine will power the A330s and the engine maker's share of the contract is worth \$560 million, at list prices. The order includes a **TotalCare®** long-term service agreement and the first of the A330s will enter service from 2012.

Cathay Pacific Airways firmed up its Letter of Intent for 30 **Rolls-Royce** Trent XWB-powered A350-900s last month. The A350s will fly across **Cathay's** route system and will operate non-stop services to Europe and North America. The A350-900s will be delivered from 2016 through 2019. The order is valued at \$7.8 billion at list price.

Tibet Airlines signed its firm order for three A319s in mid-September. The deal is valued at \$223.2 million and the first planes will be delivered in mid-2011. The airline intends to add another 17 A319s in the near future.

Hong Kong Airlines finalized its contract to firm order 10 more A330-200s. At the same time, it converted 15 previous A330 orders to the A350 XWB. The agreements were announced as a memorandum of understanding at the **Farnborough Air Show** in July. The first of the recently ordered A330-200s will be delivered in 2012. **Hong Kong's** first A350 XWB will arrive in 2018. The aircraft will be operated from Hong Kong to cities in Europe and North America. **Hong Kong Airlines** has now ordered 18 A330s and 15 A350 XWBs from **Airbus**. The airline is also taking delivery of 30 A320s in the near future. To date, **Airbus** has sold more than 1,100 A330s and delivered more than 700 of them to 80 airlines worldwide. Sales of the A350 XWB reached 573 and the first is due to enter service in 2013.

Airbus delayed its decision whether to re-engine the A320 or not, because the company was concerned that the program may overstretch its engineering resources. The aircraft manufacturer is developing the A350 and putting the finishing touches on the A400M. The **Airbus** executive committee and the managers delayed its decision for several months. The engineering study was to be completed by September and **Airbus** was in final negotiations with suppliers. The project has not been terminated. **Airbus** estimated that installing new engines on the A320 family aircraft would cost no more than €1.5 billion (\$2.1 billion) while development of a completely new narrowbody would cost about \$10 billion. The A320RE could be ready for service around 2015. **Airbus** spokesman **Stefan Schaffrath** said, "We'll announce when ready. Ensuring the availability of sufficient engineering resources is the decisive factor here. Airbus will decide whether

Turkish Airlines—THY will choose between the Airbus A380 and Boeing's new 747-8I in the next month. **THY's** chairman **Hamdi Topçu** said the airline was evaluating the two jumbo jets and could make a decision by the end of next month. Mr. **Topçu** and airline staff were at Everett to pick up the first of 12 777-300ERs that **THY** had on order. The carrier will order between five and 10 of the 467-seat 747-8Is worth \$300 million at list price. The bigger, 555-seat A380 lists for \$346 million. It is assumed that the manufacturers will offer sizable discounts from the list price. **Avitas** estimates that the real market price of the 747-8I is about \$166 million after standard discounts are given. **Boeing** is especially eager to sell the 747-8I passenger jet to a third airline customer, after **Lufthansa** and **Korean Air**. **Avitas** estimates the real market value of the A380 at approximately \$192 million. **Airbus's** sales are about seven times larger, but one airline, **Emirates** accounts for 40 percent of the A380 sales. The Turkish economy and its national airline are expanding rapidly. **Turkish Airlines** ordered 12 777s for delivery between October 2010 and August 2011 and 12 A330s, which are being delivered on a similar schedule. The airline split its narrowbody fleet renewal between **Airbus** and **Boeing** by ordering 20 A321s and 737-800/900ERs each.

to offer a new engine option on the A320 by year-end.” **John Leahy**, the sales chief said airlines want to see Airbus go ahead with the project. The manufacturer said new engines on the A320 could improve fuel efficiency by 15 percent. The fear is that the “A320RE” will cut into sales of the very popular A320 family, which has a backlog of 2,288 as of October 1. **Boeing** is also looking at installing new, efficient engines on the 737. It has a backlog of 2,127 single-aisle jets. **Randy Tinseth**, marketing chief for **Boeing Commercial Airplanes** said, “Some say do whatever you can today to improve performance of the plane. Others have said the business case just doesn’t close. Now we’re taking our time to be sure we do the right thing.” A major critic of the two possible re-engining programs, **Steven Udvar-Hazy** said upgraded A320s and 737s would not be worth the extra expense. The modified airplanes will be heavier and cost more to buy. Further, the REs will not be identical to the original planes in the airlines’ fleets. This will raise maintenance and flight crew training costs. This may not be a big deal because many airlines operate mixed fleets of Airbuses or Boeings, each with different models and engine types. Theoretically the fuel efficiency will offset those costs. Mr. **Hazy** bluntly said, “When I look at all issues and all complexities, it’s hard to see a meaningful benefit to the industry other than in terms of the environment and noise emissions. There I see some PR benefit to the outside world, but in terms of bottom-line benefit to owners of the aircraft, to operators of aircraft, it’s a very slim margin.” Mr. **Leahy** was dismissive, saying that most of the airlines polled are requesting the new engine option. “If we followed the advice of some leasing companies, i.e. ‘No Change’, we would still be flying 727s and consuming twice as much fuel. We have an obligation to be as fuel efficient and environmentally friendly as possible.” Mr. **Hazy** was frank about his concerns, “My main job is to assure manufactures don’t become like carmakers where they come out with a new product every three to four years. It’s important to assure a great sense of stability, since we serve an unstable set of clients, the airlines.” His new leasing company, **Air Lease Corp.** ordered 136 airplanes, priced at more than \$10 billion at the **Farnborough Air Show**. He wants to protect his investment and does not want to see his planes become obsolete. The re-engined planes fuel efficiency should add \$7 million to \$9 million in value to each airplane, but Mr. **Hazy** pointed out that the airframe and engine-makers will run up the purchase price to recoup their investments, negating the fuel cost savings. Both manufacturers intend to offer all-new narrowbodies by the middle of the next decade, when the new engine and advanced-material technology has matured. **Air France KLM Group** and **Lufthansa Group** each said they preferred to wait until an all-new aircraft is developed.

S7 Airlines CEO **Vladimir Obyedkov** said the Russian carrier will buy up to eight A320s and 737NGs in 2011. **S7** will order the 737-800 for its subsidiary, **Globus Airlines**, while the parent will operate A320s, **RIA Novosti** reported. **S7 Airlines** is Russia’s biggest domestic air carrier, and operates two A310s, 19 A319s, nine A320s, four 737-800s and two 767-300s. **S7’s** subsidiary, **Globus** operates international charter flights with four 737-400s.

Boeing Orders

Boeing Sold 110 737s and 17 777s in September, raising the year’s net total to 445. This compares favorably with the 263 sales in all of 2009. **Boeing** reported that **Cathay Pacific** bought six 777-300ERs, **Air China** ordered four 777-300ERs and **FedEx** added four 777Fs to its backlog. **FedEx** ordered eight 777Fs this year and now has committed for 23 777Fs. Eight of them are in service. An **Unidentified Customer** ordered three 777Fs in early September. Two 777 orders were cancelled. By the end of the month, 61 customers have ordered 1,157 777s. **Boeing** sold a second 737-800 to **Luxair**

in late September, but lost four existing orders. **Xiamen Airlines** bought 10 737-800s. **Air Lease Corporation—ALC** signed its provisional order for 54 737-800s last month. One **Unidentified Customer** bought 15 737-800s mid-month and a second **Unidentified Customer** ordered 20 737-800s on September 20. **Boeing** delivered 33 737s, one 767 and four 777s last month.

Boeing sold 20 737s to one unidentified customer in early October. By October 14 another un-named customer bought 30 737s and as of October 29, 50 737s were purchased by **Rostechology**. The later order could potentially be worth more than \$3.7 billion at list prices. As of the fourth week in October, **Boeing** had 472 net sales and 549 gross sales. The company lost 14 737s, 27 777s and 32 787s to cancellations

Cathay Pacific Airways exercised purchase rights for six Boeing 777-300ERs in September. The new airplanes are worth an estimated \$1.61 billion at list prices. **Cathay** has purchased 36 777-300ERs to date having ordered its first in 2005. The Hong Kong-based carrier currently operates five 777-200s, 12 777-300s and 14 777-300ERs.

Boeing September 2010 Orders, Deliveries

SEP ORD	SEP DEL	SEP CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			737		
100	33	-4	8,670	6,543	2,127
			747		
-0-	-0-	-0-	1,527	1,418	109
			767		
-0-	1	-0-	1,044	991	53
			777		
17	4	-2	1,157	892	265
			787		
-0-	-0-	-0-	847	-0-	847
This Month			This Year		BL
117	38	-6	372	346	3,401

**Boeing sold 20,775 aircraft and delivered 17,374
as of September 30, 2010**

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

Xiamen Airlines bought 10 737-800s for approximately \$699 million. The 737s will be funded partly by the internal resources and the rest through loans by commercial banks.

Luxair Luxembourg Airlines, the Grand Duchy's flag carrier, ordered its second 737-800, valued at \$77 million at list price. The airline ordered its first 737-800 in May and now has three -700s in service and two -800s on order.

Air China Ltd. bought four 777-300ERs last month for a "significant" discount to the \$1.15 billion list price. The 777s will be delivered in 2013 and 2014 and will be used to expand international services. Last month, **Air China** switched its 15 Boeing 787-8 orders for 15 787-9s worth \$3.19 billion at a list price.

Air Lease Corporation ordered 54 737-800s at the **Farnborough Air Show** in July but waited until September to sign the contract. It added six more orders bringing the total to 60 in October. The planes will be delivered through 2017.

PT Sriwijaya Airline, Indonesia announced it bought 20 737-800 on October 12. The 737-800 sells for up to \$81 million at list price. **Xinhua** news agency said the planes will be used on routes to Australia and other Asian countries as well as domestic destinations. **Sriwijaya** currently operates 13 727-200s, eight 737-300s and six 737-400s.

Rostec, a Russian State Corporation finalized its order for 50 Next-Generation 737s and took purchase rights for another 35 737NGs. The **State Corporation's Supervisory Board** approved the September 17th agreement that was announced during the **Sochi Investment Forum** in Russia. The order is valued at \$3.7 billion at average list prices. **Rostec** ordered 15 737-700s, 25 737-800s and 10 extended-range 737-900ERs. The 737s will be delivered with the all-new **737 Boeing Sky Interior**. The new 737s offer a 2 percent reduction in fuel consumption through various airframe and engine improvements. The 737s will be leased to **Aeroflot** by **Aviation Capital Services**, **Rostec** aviation leasing division. **Boeing** announced in September that its production rate for the Next-Generation 737 program will increase from the current rate of 31.5 airplanes per month to 35 in early 2012 and to 38 airplanes per month in the second quarter of 2013.

BOC Aviation ordered eight extended range 777-300ERs valued at approximately \$2.2 billion at average list prices. The new airplanes will be leased to **Thai Airways International**, the country's flag carrier. The 777s will be delivered by 2013. **Thai** currently operates four 777 models, including the 777-200, 777-200ER, 777-300, 777-300ER and its subsidiary, **Thai Cargo** leases the 777F Freighter from **Southern Air Holdings**. The new 777-300ERs will replace older long-haul airplanes in **Thai's** fleet.

Boeing Commercial Airplanes reported third-quarter revenues of \$8.749 billion, due to increasing airplane deliveries and services volume. In the same period last year, **Boeing Commercial's** revenue was \$7.883 billion. Its operating margin was 11.6 percent, earning \$1,017 billion profit. This also reflects the higher deliveries—124 in the quarter, up from 113 in 2009. The prior year's quarterly results were dragged down by a \$2.6 billion 787 R&D reclassification and a \$1.0 billion 747 charge. The company lost \$2.837 in the third quarter of 2009. **Commercial Airplanes** booked 257 gross orders during the quarter and lost 36 orders to cancellations. They sold 79 airplanes in the same period of 2009. Contractual backlog remains strong with 3,401 airplanes valued at \$255 billion, more than seven times the unit's projected 2010 revenue. During the first nine months of 2010, the company had revenue of

Parking Problem at Paine Field. Seventeen 787s are parked on the ramp near **Boeing's Future of Flight Aviation Center** at Everett, Washington. The planes are starting to stack up because the plant is cranking them out but they are not certified to fly away. The congestion is so bad that **Boeing** is leasing parking space from other airport operators. Another 10 787s are scheduled for completion by February, when the **Federal Aviation Administration** certifies the new jet. Most of the 787s on the ramp have concrete blocks hanging from the wings to balance the planes, because the engines are not installed. Two of the 787s are painted in the colors of **Royal Maroc Airlines**, two are due for **Japan Airlines**, and one will be delivered to **LAN Airlines**. The six test airplanes are flying, and will be joined by one of the production models to hasten the certification program.

\$23.65 billion, down from \$24.868 billion in 2009. **Boeing Commercial** earned \$2.379 billion in profits this year, up from \$1.603 losses in the first three quarters of 2009. The higher revenue in 2009 was due to 13 more deliveries that year. **Boeing** announced that its 787 program achieved a series of flight test milestones during the quarter. The sixth and final test aircraft joined the 787 flight test fleet on October 4. The first one is expected to be delivered to **ANA** in mid-first quarter 2011. The manufacturer sold 847 787s to 55 customers. The 747-8 Freighter flight test program continues at a fast pace. Engineers are working to resolve technical difficulties. The fifth test aircraft will join the flight test program shortly. Delivery of the first 747-8F to **Cargolux** is planned for mid-2011.

Pilots' Union Approves Southwest Airlines Plan to Buy 737-800s. The **Southwest Airlines Pilots Association—SWAPA** directors unanimously approved the adding 189-seat 737-800s to **Southwest's** fleet. The pilots will vote on the extension of their contract through 2012, which includes the contract to fly the larger 737-800 and 2 percent wage increase. The airline could use the -800 to carry more passengers to gate-restricted and higher-growth cities. **Southwest** operates 351 137-seat 737-700s, 175 older 737-300s and 25 737-500s. The airline has another 107 737-700s on order. It does not have definite plans to buy the -800 model but will probably swap some -700s for the -800 when it does firm up its fleet plan.

Saudi Arabian Airlines' website states that the airline will take delivery of 12 777-300ERs starting at the end of next year. **Boeing** does not list **Saudi Arabian** as a 777 customer but did record an order for a dozen 777s in April for an "unannounced customer".

European and American Airlines Want to Restrict Airliner Export Financing. The leading airlines called for their governments in Europe and the United States to restrict jet aircraft export credits to 20 percent of the purchase price. They want to reign in the multi-billion-dollar subsidies to competing airlines. The legacy airlines accuse the new Gulf carriers of receiving export credits and home government subsidies that allowed them to grow quickly and seize market share. The U.S. **Export-Import Bank** was founded in 1934 and is chartered as a government corporation by **Congress**. It is designed to finance and insure foreign purchases of U. S. goods for customers unable or unwilling to accept credit risk. The mission of the Bank is to create and sustain U.S. jobs by financing sales of U.S. exports to international buyers. The European Union formed export credit agencies to

US Sanctions Send Syrianair Into the Arms of the Russians. The Syrian flag carrier signed an agreement to lease and purchase 54 Airbuses through 2028 in 2008. The first eight were due in 2009. The deal was blocked by long-standing U.S. Government sanctions. **Syrianair** spokesman **Yarub Badr** said the **Obama Administration** dismissed **Airbus'** request to wave an embargo on selling planes to **Syrianair**. This comes as the U.S. government allowed **Boeing** to overhaul two grounded **Syrianair** 747s. The airline has six operable A320s, two ATR-72s and the two 747SPs in its fleet. Now that the **Airbus** purchase is stalled, the **Syrian Government** is looking at ordering up to six medium range **Tupolev** Tu-204s for the flag carrier. The Russian-made 200-seaters are powered by **Perm** PS-90 engines and have little Western content. "The Russian option is real and very serious," Mr. **Badr** said. So far, Mr. **Badr** explained, Russia and Syria signed two memoranda of understanding for airplane orders in the last five years, but no contracts were signed. The putative deal with **Tupolev** may not be imminent. "We recently asked the Russian side to assign a single entity to negotiate the sale with **Syrianair**. The talks have to be direct, with no middle men or commissions," he said.

perform a similar function for **Airbus**. Under the current rules, none of the airlines in the France, Germany, Spain, the U.K. or the U.S. qualify for export financing, while the rest of the airlines in the world do qualify. British, French, German, Spanish and U.S. airlines say they are unfairly locked out of a system of cheap credit, which lowers acquisition costs for well financed Middle Eastern or Chinese airlines. **Emirates'** president **Tim Clark** is leading the defense against the charges, saying the airline did not receive subsidies either from exporter funding schemes or locally. Dubai's airports chief **Paul Griffiths** said the biggest regulatory threat to U.S. and European airlines came from their own governments. The real problem for Western airlines was their own governments, he claimed. "Most governments around the world treat aviation as a pariah, choking its growth with costly, misdirected regulation... they then compound the problem with parasitic forms of taxation that usually flow straight out of the sector." Twenty four airlines, including the world's largest carriers such as **Delta** and **Lufthansa** proposed the financing cap ahead of international talks on the rules for financing **Boeing** and **Airbus** jets at the **Organization for Economic Co-operation and Development**. **Reuters** obtained a copy of the letter, which said, "Export credit is a specific tool that can have many adverse impacts on the market. It is a distortion of commercial markets to use official export credits to enable aircraft sales to creditworthy borrowers merely because conditions in commercial markets are relatively unfavorable," the airlines said. **Airbus** admitted that "such financing has increased sharply as private financing dried up during the financial crisis, pushing the contribution of financing by export credit agencies as high as one third of the value of aircraft sales." The 24 airlines said terms of credit should be less favorable than those of commercial bank finance to avoid giving some carriers an unfair advantage and the maximum loan-to-value ratio should be lower. The airlines conceded that some airlines needed an export credit agreement that takes into account political and country risks that limit those airlines' access to commercial markets.

Regional Report

Rossiya general manager **Sergei Belov** told the press that it plans to order another nine Antonov An-148 regional jets. The airlines leased five VASO-built An-148s from **Ilyushin Finance** since December 2008. It has a sixth jet scheduled for delivery by the end of the year. Mr. **Belov** reported that the

Russia and Commonwealth of Independent States Need 960 New Aircraft. **Boeing** forecasts that air carriers in the CIS will take delivery of about 960 new airplanes over the next 20 years. The planes will be worth \$90 billion. The airlines will retire the remnants of the Soviet-era fleet as well older, less fuel-efficient Western narrowbodies and regional jets. "Demand for airplanes also will be fueled by an increase in the number of people flying to, from and within Russia and CIS," said **Randy Tinseth**, VP of Marketing, **Commercial Airplanes**. "We expect passenger traffic for the region to grow at a rate of 4.8 percent on average." The CIS fleet will grow from the current 1,150 aircraft to about 1,300 airplanes by 2029 after taking retirements into account. **Boeing** expects that 60 percent of the new deliveries will be single-aisle airplanes. Twin-aisle airplane fleets will grow to 17 percent of the total by 2029. **Boeing** sees a demand for 160 twin-aisle airplanes in the 787 size. The company sees no demand for large widebody passenger aircraft in the 747 and A380 class. It does forecast a need for approximately 30 large freighter airplanes, equal to three percent of the fleet. They will be delivered by 2020. The CIS will require 200 regional jets which will account for 21 percent of the total deliveries of new aircraft. The regional jets will be used to accommodate traffic growth to smaller secondary markets within the region and to replace older aircraft.

airplane suffered from some technical deficiencies but the airline is working with the lessor and manufacturer to resolve them. He said, "They only represent teething problems. It is a normal situation when you begin introducing new aircraft types," he says. "Overall, we're content with the performance of the An-148s, some of which are airborne up to 14h on particular days." The first 50 An-148s are being fitted with **Progress** D-436 turbofans. The designer, **Antonov** is considering installing the **PowerJet** SaM146 engine as an alternative. The SaM146 may make the plane more marketable in terms of fuel efficiency. The SaM146 is a new engine and currently flies on the Superjet 100. The D-436 was first developed in 1985 but the manufacturer is developing a new turbofan which will be 10 to 15 percent more fuel efficient.

UTAir, Russia chose the **Sukhoi** Superjet 100 regional jet to replace its fleet of antiquated **Tupolev** Tu-134 twin-jets. The airline's selection committee picked the 75-seat and 95-seat versions of the Superjet after considering 15 different aircraft in the 75- to 80-seat and 100- to 105-seat ranges. **UTAir** operates Soviet-era Antonov An-24s, Tupolev Tu-134s & Tu-154s alongside 18 737s, two 757s, five Bombardier CRJs and 15 ATR aircraft.

Libyan African Aviation Holding Company ordered three **Bombardier** CRJ900 NextGen regional jets. The planes will be operated by **Libyan Airlines** and are worth \$131.5 million at list price. The holding company optioned three more CRJ900NGs valued at \$136.3 million. **Libyan Airlines** currently operates three CRJ900 and two CRJ900 NextGen aircraft in a two-class configuration. The airline's previous orders for CRJ900 and CRJ900 NextGen aircraft were announced in June 2007 and January 2008 respectively. The airline said the purchase of the state-of-the-art CRJ900 NextGen aircraft is a part of its fleet renewal program.

Estonian Air, Tallinn, Estonia signed a firm order for three CRJ900 NextGen aircraft and took two options. The firm contract is valued at approximately \$123 million at list price and the options are worth another \$88 million. The new order replaces a firm order by **SAS Scandinavian Airlines** for three CRJ900 NextGens. That order was announced in March, 2008.

Embraer September 30, 2010 Orders & Deliveries

Type	Total Orders	Total Options	Total Deliveries	Current Backlog
ERJ135	108	-0-	108	-0-
ERJ140	74	-0-	74	-0-
ERJ145	708	-0-	704	4
E170	191	47	180	11
E175	173	278	130	43
E190	457	356	301	156
E195	95	66	60	35
Total	1,806	747	1,557	249
Type	3rd Quarter Deliveries		2010 Deliveries	
Legacy	-0-		3	
Lineage	2		3	
ERJ 145	1		4	
Embraer 170	1		8	
Embraer 175	1		5	
Embraer 190	11		38	
Embraer 195	6		13	
Total	22		74	

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

Including the Libyan Order, Bombardier has sold 1,709 CRJ regional jets, including 262 CRJ900 and CRJ900 NextGen aircraft. The company has delivered 1,597 CRJ Series aircraft, including 234 CRJ900s as of July 31.

Embraer delivered 44 jets during the third quarter of 2010; 20 went into the airline market and 24 were executive jets. They delivered 154 jets during the first nine months of the year. The firm order backlog is stable and totaled \$15.3 billion, as of September 30, 2010. **Embraer** announced 37 new E-Jet sales at the **Farnborough International Airshow** for two existing customers. Brazil's **TRIP** ordered two EMBRAER 190s and England's **Flybe** bought 35 EMBRAER 175s. Argentina's **Austral** received its first EMBRAER 190s in September, and became the latest airline to operate **Embraer** jets. In the third quarter Embraer delivered 24 executive jets, including 16 Phenom 100s, six Phenom 300s and two Lineage 1000 jets. **Embraer** announced five KC-390 program agreements during the last quarter. They represent the potential sale of 54 aircraft. The **Brazilian Air Force** signed a Declaration of Intent to acquire 28 KC-390s. **Embraer** agreed to establish industrial partnerships with four countries, representing the future sale of 26 airplanes: 12 to Colombia, six to Chile, six to Portugal, and two to the Czech Republic.

Air Lease Corp. signed its agreement to buy 15 EMBRAER 190 jets. The first will be delivered in June 2011. **Air Lease** and **Embraer** announced the order at the **Farnborough Air Show**. Another five planes were optioned, for a potential sale of 20 EMBRAER 190s. Several customers expressed interest in the E-Jets since the order was announced at **Farnborough**. **Air Lease Corp.** said it looks forward to providing aircraft that meets their needs.

Fuji Dream Airlines—FDA, Japan ordered its fifth E-Jet, an EMBRAER 175 and optioned another. The airline already operates three E-170s and one E-175. The order was placed in the third quarter for an "undisclosed customer" The new aircraft will be delivered in single-class, 84-seat configuration.

BA CityFlyer, a **British Airways** regional subsidiary firmed up two options for EMBRAER 190s for delivery next spring. It ordered six E-170s and five E-190s in December 2008 and has taken delivery of all of them. The E-Jets replaced its fleet of Avro RJs. The airline has one remaining E-190 option.

No Plans to Close the Harbin Embraer plant in China. **Embraer** issued a denial that it intends to cease the industrial operations of **Harbin Embraer Aircraft Industry—HEAI**. **Embraer** is negotiating with the Chinese government and its Chinese partner for the purpose of continuing the operations. **Embraer** said no decision has been made yet. The factory will produce the last of 15 ERJ-145s for **Hainan Airlines** in the first half of 2011. Brazil's **Estado** news agency reported that **Embraer** executive vice-president, airline market **Paulo Cesar de Souza e Silva** as saying that the Chinese see **Embraer** as a competitor now and that China ignored a letter from Embraer concerning E-Jet production. The market for 35-50 seat regional jets is dead and one option for the plant is to build 70-110 seat E-Jets. Those would compete directly with the domestically designed and built 90-seat ARJ21 and the 150-seat **Comac C919**.

Engine News

Air Arabia confirmed its order for CFM56-5B engines to power a fleet of 44 Airbus A320 family aircraft. The engine selection was announced at **Farnborough Air Show**. The order more than doubles the airlines' CFM56-5B powered fleet of 23 A320s. The first of this batch of planes was delivered in

October. **Air Arabia** is the first and largest low-cost carrier in the Middle East and North Africa. It became a CFM customer in 2003 when the airline started operations with a leased CFM56-5B-powered A320.

Thai Airways International ordered Trent 700 engines for seven Airbus A330s. The contract is worth \$390 million to **Rolls-Royce** at list prices. The order includes a TotalCare® long-term service agreement for the aircraft which will be delivered from 2011. **Thai** already operates eight Trent 700-powered A330s, and was a launch customer for the Trent 800 on the Boeing 777. It also operates ten Trent 500-powered A340s and has selected the Trent 900 to power six A380 aircraft, with all of the Trent fleet supported by TotalCare®.

Lufthansa Group Orders Trent 700 Engines from Rolls-Royce. The contract is worth \$560 million at list prices. The engines are for eight Airbus A330 aircraft for **Lufthansa** and **Swiss**. The order includes a TotalCare® long-term service agreement. The aircraft will start to enter service in 2012. **Rolls-Royce** said the Trent 700 is the only engine specifically designed for the A330 and more than 1,000 are in service or on firm order. The Trent 700 captured 75 percent of orders over the last three years.

Order Changes and Cancellations

Airbus Order Changes. The company disclosed that **RBS Aerospace** ordered 52 A320s in November 2009. The order was announced in July. **LAN Airlines** swapped one A319 order for one A320; bringing the A320 total to 51. **China Eastern Airlines** added five A319 orders and dropped five A320 purchases. The airline now has 10 A319s and 89 A320s on order. **Shanghai Airlines** transferred five A321 orders to its new parent airline, **China Eastern** in September. **Air China** switched seven A330-300 orders to the A330-200 model. Now the airline has now ordered 37 A330-200s and taken delivery of 20 of them. **Singapore Airlines** transferred one A330-300 order each to leasing companies **Lease Corporation International** and **Waha Capital**, and then took delivery of the planes through leases. **Singapore** retains two A330 orders and has 17 airplanes in service.

JetBlue Airways will defer 10 Airbus A320 deliveries until 2016. Four A320s were scheduled to arrive in 2012 and six in 2013. Now the airline wants to stretch out its aircraft purchases and financial obligations. **JetBlue** said the delays will reduce aircraft purchase cost by \$500 million and **Airbus** deliveries by 40 percent in 2012-2013. **JetBlue** will pay a \$5 million deferral penalty to the manufacturer. The airline will still take seven A320s in 2012 and 2013. The airline also decided to drop two EMBRAER 190 deliveries originally due in 2012. Now **JetBlue** will accept nine new A320s and E-190s in 2011, 11 planes in 2012 and 14 in 2013. The airline will return four A320s to lessors in 2012 and six in 2013. **JetBlue** will re-acquire seven A320s from **GECAS** that it sold to them a while ago.

Boeing Changes. **Boeing** reported the cancellation of four 737 and two 777 orders in September. As of September 30, **Boeing** lost 14 737, 27 777 and 32 787 orders this year. **Continental** announced that it was the "unannounced customer" for seven 737-700s that were ordered in March (3) and August (4). In September, **Russian Technologies** reported that it bought 50 737NGs for lease to **Aeroflot**. The order was not officially recognized by **Boeing** but the company did announce an order for 50 737NGs in mid-October.

Delta Ditches 787. **Delta Air Lines** reconfirmed its order for 18 787-8s but has delayed deliveries by 10 years, effectively sidelining the airplane order. When launch customer **Northwest** ordered the plane, it was to receive them from 2008 through 2010 and **NWA** would have taken two of the test aircraft. **Delta** will now take the 18 787s between 2020 and 2022. The order is worth \$2.2 billion. **Northwest** also optioned 50 787s but it is not known if the options are still in place. **Delta** will refurbish its fleet of 14 747-400s and will continue to operate them on the routes to Asia. It is possible **Delta** will order more 777s to fill the ten-year gap between the 747 and 787.

Leasing Companies

Air Lease Corp. CEO **Steven Udvar-Hazy** told the **International Society of Transport Aircraft Trading—ISTAT** aircraft appraisers' conference that the operating lease industry will control 39 percent of the world's commercial airliner fleet by 2015. Lessors will control 45 percent by 2020. Mr. **Hazy** said, "In 2000 about 4,000 jet aircraft were on operating lease, representing 25 percent of the total jet population. Today, about 6,300 jet aircraft of a population of 19,000 aircraft are on operating lease, representing a total of 34 percent. By 2015, our projection shows that 7,800 aircraft or 38-39 percent of the world jet population will be on operating lease." The short reason why, is that the airlines do not make consistent profits, so they can not afford to buy the airplanes and are forced to lease them. He predicts explosive growth in air travel. He said industry capacity will grow to 6 trillion passenger kilometers by 2020, up from today's 4 trillion RPKs and 1 trillion RPKs in the 1980s. Mr. **Hazy** forecast the world jet fleet will reach 26,000 aircraft over the next five years, growing from 19,000 airplanes today. This may not pencil out since it requires the delivery of one thousand new planes per annum for the years of 2010 through 2015 and no retirements. Currently **Airbus** and **Boeing** deliver approximately 900 big jets, while **Bombardier** and **Embraer** make approximately 125 regional jets per year, so the production numbers are there, but it is unlikely that the airlines will not retire hundreds of planes per year. The 2,000 small regional jets and 1,000 MD-80s are particularly vulnerable to retirement.

Jazeera Airways Group, Kuwait will lease four A320s to **Virgin America** in a deal worth \$155 million. This is **Sahaab Aircraft Leasing's** first lease to a U.S. customer. **Jazeera Airways Group** purchased **Sahaab** in February 2010. The group is the parent of Jazeera Airways. The lease is part of **Virgin America's** long-term strategy to grow. The airline signed a letter of intent to buy for 40 A320s from **Airbus**, plus options for 20 more in a \$3 billion-plus deal, at the **Farnborough Air Show**. **Virgin America** has 28 Airbuses in service. It plans to grow its fleet by two-thirds by December 2011 and triple in size by 2016. **Sahaab Aircraft Leasing** started leasing in October 2008 with the delivery of an A320 to its first customer, **Jazeera Airways**.

International Lease Finance Corp Chairman **Doug Steenland** said **AIG** is no longer under pressure to fire sale **ILFC**. Both companies have stabilized. "**ILFC's** now going to be self-financing going forward," he told the press. The company is now tapping the financial markets and its credit rating has improved. **ILFC** may still be sold in the future. "From **AIG's** perspective, there could come a point in time when it makes sense to monetize the asset...largely because they'll be well compensated for it." **AIG** still needs to repay the **U.S. Government** the rescue loans. **AIG** tried to sell the leasing company or break it up in 2008, but **AIG** did not receive a suitable offer. **AIG** can afford to be patient and hold onto it if they want, said Mr. **Steenland**. **AIG** CEO **Robert Benmosche** said the parent company may consider a partial initial public offering of **ILFC** and would be open to a sale at the right time and price. The lessor will sell off the oldest of its 1,000 aircraft to bring down the average fleet age. **ILFC** will

need to place more orders for narrowbodies because it has only one A320 and 10 737-700s on order. The company is committed to buy 20 A350s, 10 A380s and 74 787s. None of them are due soon. Its largest rival **GECAS** has an order book that is heavily weighted toward narrowbodies, with 93 A320s and 100 737-800s on order, along with nine 777s. The two giants rivals tend to be much smaller—between 100 and 200 planes each—and have hundreds of narrowbodies on order. Mr. **Steenland** worried that **ILFC** may be well behind the order curve, since so many competitors have locked up near term delivery positions for narrowbodies. The rivals are well financed by private-equity and institutional funds, or the governments of Dubai and China. “I think there's room for some additional capacity. I think whether the industry can absorb all of the airplanes that **Airbus** and **Boeing** have said they're going to produce over the next few years... is a very open question,” said Mr. **Steenland**.

International Lease Finance Corporation announced the recent lease of ten aircraft, bringing this year's lease placements to 150. Of note, most of the airplanes were previously used. **ILFC** leased one A320 each to **Royal Falcon Airlines**, Jordan and **Sichuan Airlines**, one 737-800 to **PT. Garuda Indonesia**, two 737-700s to **Lucky Air Company**, China, one 747-400 to **Air Atlanta Icelandic**, one 767-300 to **Transaero Airlines**, Russia, two A340-300s to **Finnair Aircraft Finance** and one A330-300 to **Air Transat**, Canada.

International Lease Finance Corporation—ILFC repaid a \$2 billion bank loan that was taken in October 2005, but not used until September 2008. Since then, **ILFC** increased its liquidity by more than \$12.5 billion this year, by issuing and extending debt and selling aircraft. The CFO, **Fred Cromer** commented, “All of our banks supported us at a critical time. Now that we are in a much stronger liquidity position we are paying this maturity with cash on hand.” **ILFC** got help from the **Federal Reserve Bank of New York** which lent it approximately \$4 billion to meet its liquidity needs. The loans were backed by billions of dollars worth of airplanes. The U.S. government bailed out **AIG** to the tune of \$182.3 billion.

FLY Leasing Limited purchased and leased-back three new 737-800s with **flydubai**, Dubai's low cost airline. One aircraft was delivered in October and the other two are due in December and February 2011. **FLY** sold one 1995-model A320 and two 2006-era 737-800s to two separate purchasers. The

AerCap Holdings N.V., the Netherlands leased 13 aircraft in the third quarter, including two new A320s each to **Wizz Air**, Hungary and **Alitalia**, and one new A320 each to **Spirit Airlines**, **Kuwait National Airways** and **Spring Airlines**, China. **AerCap** leased one new A330 each to **Sichuan Airways**, China and **Asiana Airways**. It leased one A300 Freighter to **MNG Airlines**, Turkey, and two used A320s to **LAN Airlines** (Chile), and one used 737 to **Air North**, Canada. The average term for new aircraft leases was 138 months and the average term for used aircraft was 62 months. It delivered nine CFM-56 engines and three CF6 engines to lessees as well. The company purchased three new A320s and two new A330s directly from **Airbus**. **AerCap** acquired seven new A320s from third parties and one used 737. It bought six CFM56s, one CF6 and one P&W engine and sold five CFM56 engines. The company sold two new A320s and one new A330 from its owned portfolio, and one 737 and one 757 from its managed portfolio. **AerCap** signed a letter of intent to sell another 757 from its managed portfolio. **AerCap's** subsidiary **AeroTurbine** disassembled three aircraft and three engines from its own inventory, and four aircraft and three engines for third parties. As of September 30, 2010, **AerCap's** portfolio consisted of 324 aircraft and 83 engines that were either owned, on order, under contract or letter of intent, or managed.

aircraft are currently on lease to three separate airlines. **FLY's** CEO **Colm Barrington** said the lessor was actively seeking new airplanes and was selling older ones. "The sale of the three aircraft will generate cash and positive net income for **FLY** and the new aircraft, which will be acquired with our free cash and new bank debt, will reduce the average age of our portfolio." Following completion of the transactions, **FLY** will have a portfolio of 62 aircraft on lease to 33 airlines in 22 countries.

Flydubai, the Dubai-based LCC will sell and leaseback four Boeing 737-800s with Avolon in Dublin. The deal is worth \$320 million at list prices. The airline operates nine 737-800s and has another 41 on order. **flydubai** will take delivery of four more 737s by the end of the year. The airline financed nine aircraft with **FLY Leasing** and **GE Capital Aviation Services** in deals worth \$1 billion. CEO **Ghaith al-Ghaith** said, "Our next 13 aircraft are now completely financed, which takes us through to December of next year."

AVIATION BUSINESS Airline News

Airline Acquisitions are Popular Around the World. **LAN Airlines**, Chile will acquire 98 percent of **AIRES**, Colombia in a deal worth \$32.5 million. **LAN** will purchase **AIRES'** parent companies. The acquisition price may be adjusted due to variations in **AIRES'** debt between August 31 and the date of closing. The acquisition is subject to compliance with regulatory requirements and the approval of Colombian shareholders. The purchase should be finalized by the end of the year. **AIRES** was founded in 1980 and is now the second largest airline in Colombia. It controls 22 percent of the domestic market. **AIRES** operates nine 737-700s, 11 Dash 8Q-200 and four Q400 on scheduled services to 27 domestic and three international destinations. **AIRES** will become an affiliate of **LAN Airlines** for now and will become part of the new **LATAM Airlines Group S.A.** if **TAM**, Brazil and **LAN** merge.

Waha Capital PJSC, an Abu Dhabi-based diversified investment holding company will acquire 20 percent of **AerCap Holdings NV**, worth \$380 million, in a complex deal. **Waha Capital** will buy about 29.8 million **AerCap** shares for \$105 million in cash. The other \$275 million comes from **AerCap** acquiring **Waha's** 50 percent interest in **AerVenture**, and a 40 percent interest in **Waha's** 16-aircraft portfolio, **AerCap's** press release said. **AerCap** will provide all management services for **Waha's** aircraft portfolio in return for servicing fees. **Waha** owns A330 and 777 widebodies A320, A321 and 737NG narrowbodies and **Bombardier** regional jets. The average age of the portfolio is 5.6 years and all aircraft are on lease with an average lease term of 82 months. **Waha** bought 50 percent of **AerVenture** in June 2009. The new agreement calls for **AerCap** to resume full control of **AerVenture**, which has a fleet of 47 A320 family aircraft plus seven firm orders. **Waha** has a market value of \$372.7 million and will become one of the Dutch aircraft leasing firm's biggest shareholders when the deal closes in mid-November. **Waha** is involved in real estate, maritime and financial sectors. It wants to become a global financial presence and help the oil-rich emirate to become a regional aerospace hub. **Waha** is partially owned by **Mubadala Development Co.**, whose subsidiary **Mubadala Aerospace** will make **Airbus** parts at its new facility. **AerCap** has assets worth \$10 billion and equity of \$2 billion as of June. It has 340 planes, 100 engines and a large parts inventory in its portfolio and will take delivery of 20 more planes, worth \$2 billion in the next two years.

Aero Republica, Colombia will change its name to **Copa Airlines Colombia**. **Aero Republica** was purchased by **Copa Holdings**, the parent of **Copa Airlines** in 2005. **Copa Airlines Colombia** operates 11 EMBRAER 190s and one 737-700. The airline may acquire two more 737-700s from **Copa**.

Afriqiyah Airways and Libyan Airlines, Libya's two state carriers will merge in November. **Libyan African Aviation Holding Company—LAAHC** acquired both airlines in 2009 with the purpose of developing the country's air transport industry. Both airlines have **Airbus** aircraft on order—seven A320s and six A350s for **Afriqiyah** and six A320s, four A330s and four A350s for **Libyan**. **Afriqiyah** operates an all **Airbus** fleet of one A300-600, three A319s, four A320s, two A330s and one A340. **Libyan** flies two A300s, three A320s, five CRJ900s and two ATR 42s. Both airlines fly domestic and international routes. It is not sure if the two airlines will retain their brands.

Emirates president **Tim Clark** said the airline will not enter into any commercial alliances because they are harmful to competitiveness. **Emirates** prefers to work on its own rather than hurt the quality of its services. The airline and its rivals are in a dispute about access to flight routes and competition. The rapid expansion of Gulf majors **Emirates**, **Etihad** and **Qatar Airways** fuelled accusations of protectionism against them. The legacy carriers say Gulf-based superjumbos will drain their own hubs. **Emirates** is the Middle East's largest carrier and the other Gulf airlines are expanding their fleets with new widebodies.

WestJet Airlines Joined a Marketing Alliance with American Airlines in order to boost its business passenger numbers. **American** passengers will connect into **WestJet's** Canadian network on a single ticket. This is a low-risk way to add traffic for both carriers, since **American** is shut out of the Canadian market by **Air Canada's** membership in the **Star Alliance** with **United/Continental**. **WestJet** plans to do more deals of this type. **WestJet** is the country's second largest airline and competes head-on with the much bigger **Air Canada**. **WestJet** needs more traffic through its hubs in Calgary and Toronto in order to expand, and so it can justify adding more flights. **WestJet** and **American** are expected to sign a full code-share agreement later, which allows airlines to sell space on each other's flights. **WestJet** started out to be

Alliances

The **Star Alliance** invited **Ethiopian Airlines** to join the alliance late next year. The processes of integrating the airline into **Star** should be completed within 12 months. **Lufthansa** and the **Star Alliance** will provide mentoring teams to push the process along. **Ethiopian Airlines** will join **South African Airways** and **Egyptair** as the three African member of the alliance. after. **Ethiopian** flies to five countries, Chad, Congo, Djibouti, Mali and Niger that previously were not part of the **Star Alliance** network.

Aerolineas Argentinas Will Join the SkyTeam Alliance in 2012. **Aerolineas** signed an agreement to begin the process to join **SkyTeam** and become the group's first South American member. The alliance press release said the addition of **Aerolineas** is "a significant step towards enhancing the global network of the alliance. **SkyTeam** is actively working to strengthen its presence in Latin America, a region with strong growth figures and a positive outlook for the future." The ten-year-old **SkyTeam** inducted **Vietnam Airlines** and **TAROM** as new members in June and will add **China Eastern** and **China Airlines** in 2011. "**Aerolíneas Argentinas** is undergoing a five-year restructuring plan which will renew and rationalize its fleet, add new routes and increase the density of the domestic and regional network and improving product quality and consistency.

a low-cost, no-frills carrier, but is now aggressively courting business travellers. The Canadian airline operates a limited number of flights to holiday destinations in the United States while **American** and **American Eagle** frequently fly to big cities in Canada. It is rumored that **WestJet** may want to join a global alliance of airlines, such as **oneworld** or **SkyTeam**. The airline signed a code-share deal with **Cathay Pacific Airways (oneworld)** and has interline deals with **Air France-KLM** and **China Airlines (SkyTeam)**.

Gulf Air, Bahrain will be funded with 400 million Bahraini dinars (\$1 billion) in fresh capital from the Bahrain government. This will increase the airline's capital to 530 million dinars. The King of Bahrain had authorised the finance ministry to raise the funds from local and international capital markets. **Gulf Air** flew nearly 6 million passengers last year and plans to break even in two to three years. It lost \$502 million in 2009. The airline is retreating from long-haul routes and is now focusing on regional routes in the Middle East. It found it could no longer compete with **Etihad**, **Qatar Airways** and **Emirates**. Bahrain took full ownership of **Gulf Air** in 2007 after Abu Dhabi, Oman and Qatar each sold their 25 percent ownership. The airline operates two A319s, 11 A320s, two A321s, 10 A330-200s, four A340-300s, two EMBRAER 170s and two EMBRAER 190s. The airline grounded six older A320s and three early model A340-300s this year. It scrapped two 1994-model A340s SN 39 & 40 in December 2009. The other A340s are for sale or lease. **Gulf Air** still has seven A320s, 20 A330-300s and 24 787-8s on order. The first A330s are due in 2012 and the first 787s will be delivered in 2016, if the orders are not cancelled.

Bankruptcy of the Month

Blue Line, a French charter carrier ceased operations October 6 and returned its two A310-325s, four MD-80s and two F.100s to their respective lessors. **Blue Line** entered bankruptcy on September 7 and was wound up by November. CEO **Xavier Remondeau** founded the airline in May 2002. He stepped down and new shareholders brought in new funding to restructure the airline, so it was not bankrupt when it shut down. The reason for the closure was not given.

Japan and the U.S. Signed an Open Skies Treaty which ended limits on flights between the countries and allows greater collaboration between the nations' airlines. Up to now, four airlines **American**, **All Nippon Airways**, **Japan Airlines** and **United/Continental** dominated traffic between the countries. The "big four" plan to collaborate on scheduling and sales following the treaty that cuts restrictions on routes that were flown by about 10 million travelers in the year ended March 2009. Japan is liberalizing air travel to boost tourism and add landing slots at its busiest airports, **Reuters** said. The Japanese are adding capacity at **Haneda** and **Narita Airports** increasing slots by 10 percent. The airports hope to have 300,000 annual slots by April 2014. The governments of Japan and the U.S. granted antitrust immunity for the **JAL-American** and **ANA-United Airlines-Continental Airlines** alliances in October. **Delta Air Lines** lacks a Japanese partner for now. The last time the countries amended its 1952 aviation treaty was in 1998. The first draft of the Open Skies treaty was signed in December. Three U.S. airlines, **Hawaiian**, **United Parcel Service** and **US Airways** join **American**, **Delta**, **FedEx** and **United** in offering unlimited flights to Japan.

Military Market

The Egyptian Air Force is acquiring three C295 tactical transport aircraft and becomes a new **Airbus Military** customer. The medium sized airlifters will be delivered from 2011 and will join the Air

Force's fleet of nine **Antonov** An-74T-200s, 26 **Lockheed Martin** C-130Hs and nine elderly **de Havilland Canada** DHC-5 Buffalos. To date, 85 C295s have been ordered by 13 customers, of which 64 are in service in 11 countries. **Airbus Military** said in its press release, "The new generation C295 is the ideal aircraft for defense and civic missions to the benefit of society, such as humanitarian actions, maritime patrol, environmental surveillance missions, amongst others. Thanks to its robustness and reliability, and with simple systems, this provides wide versatility and flexibility, necessary for personnel, troop and bulky/palletized cargo transportation, casualty evacuation, communication and logistic duties or certified air-dropping capabilities."

Airbus Military flew the second A330 MRTT **Future Strategic Tanker Aircraft—FSTA** destined for the **Royal Air Force** on October 26. The plane was converted from a basic A330-200 by **Airbus Military** at its facility at Getafe, Madrid, Spain. The A330 joins the first FSTA in a flight-test program that started in September. The first **RAF** FSTA will be delivered by the end of 2011. The Spanish military certification authority **Instituto Nacional de Tecnología Aeroespacial—INTA**, certified the basic A330 Multi Role Tanker Transport on October 5, allowing **Airbus** to deliver the first two aircraft to the launch customer, the **Royal Australian Air Force—RAAF** before December 31. **Airbus** is proud to point out that, "The A330 MRTT is now the only certified new-generation tanker and transport being offered to the world's air forces." The certification covers the design and operation of all the military systems added to the aircraft in addition to the basic civil design, and especially the hose and drogue, as well as the all-new **Airbus Military** designed Aerial Refueling Boom System (ARBS), **Airbus** said. The military certificate follows the civil Supplemental Type Certificate (STC) which covers the conversion from the basic passenger A330-200 that was awarded by the **European Aviation Safety Agency—EASA** earlier this year. During the test program, the A330 MRTT delivered fuel to the F-16 and F-18 fighters, the E-3 AWACS with its large radome, and another A330 MRTT. The **RAAF** aircraft are equipped with two under-wing hose-and-drogue refueling pods and the **Aerial Refueling Boom System—ARBS**. They can also carry 270 passengers in a two-class configuration. **Airbus** has sold 28 A330 MRTTs to four nations, Australia, Saudi Arabia, the United Arab Emirates, and the United Kingdom. There is some discussion between the U.K. and France about the French **Armée de l'Air** (Air Force) using **RAF** A330 MRTTs to replace their 14 ancient KC-135FRs.

The Argentine Defense Ministries signed a Declaration of Intent to participate in the **Embraer** KC-390 development program. The **Fábrica Argentina de Aviones "Brig. San Martín" S.A.—FAdeA** may manufacture parts for the new military transport and the **Argentine Government** may acquire six KC-390s. **Embraer** opened negotiations about international partnerships for the KC-390 program with Chile, Colombia, Czech Republic and Portugal. The parties are discussing the conditions for their participation in the development and production of the new military transport jet, **Embraer** said. The **Força Aérea Brasileira—FAB (Brazilian Air Force)** announced its intention to acquire 28 KC-390s in July. The manufacturer has provisionally sold 60 KC-390s to the air forces of these six countries.

Also in October, Qantas Engineering in Brisbane, Australia converted Australia's third A330 MRTT tanker/transport from an A330 that was delivered in civil configuration. **Airbus** said this underscores its "ability to successfully transfer A330 MRTT production and outfitting around the world. The KC-45 variant of the A330 MRTT will be built at a new American aerospace center of excellence that will be constructed in Mobile, Alabama." The third **RAAF** MRTT flew early in the month. Now **Airbus**

Military has five A330 tankers in its test program, while **Boeing's** KC-X design is still on the drawing board. The **Airbus** KC-X offering, dubbed the KC-45 is the **U.S. Air Force** configuration of the A330 MRTT. **Boeing's** KC-X is somewhat similar but identical to the eight KC-767s that it sold to the governments of Italy and Japan. **Airbus** said, "Four U.S. allies have chosen the A330 MRTT over Boeing 767 tankers in four straight competitions," and **Airbus** has out-sold the KC-767 by 3.5 to 1. **Airbus** offered to assemble the KC-45 and the civil A330F freighter in a new aerospace center in Mobile, Alabama and use a network of hundreds of American suppliers. A decision by the **Air Force** is due in December, but this will launch a year of political fighting in the new Congress and numerous appeals by the loser. A final decision, my come by the end of 2011, nearly 10 years after **Boeing** offered the 767-200-based KC-767 to the **Air Force** (March 2002). The original contract was seen at the time as a stimulus package for **Boeing** after civil jet production crashed in the aftermath of the 9/11 attack.

Cargo Pallet

Precision Conversions completed the second High Payload variant full-15 pallet position 757-200PCF freighter for **Aerolease Aviation**. The **P&W**-powered 757ER SN 29607 was built in 1998. **Precision** will convert a third 757-200PCFs for **Aerolease** under a deal signed in April. The High Payload 757-200PCF can carry a payload of 80,000 pounds and will be operated by **DHL Americas**. **Precision Conversions** and **Pemco World Air Services** are launching a passenger-to-combi—P2C conversion program for the Boeing 757. **Precision** and **Pemco** will design, engineer and certify the Combi variant, which will feature 10 full cargo pallet positions and up to 58 passenger seats. **Air Transport Services Group** ordered three new 757-200PCC Combis for its subsidiary **Cargo Aircraft Management—CAM**. **CAM** will use the 757 PCCs to replace the DC-8 combis that it operates on charters for the US military. **CAM** already has two 757-200PCF freighters, which are currently being operated by its sister company **Capital Cargo International Airlines**. The 757-200PCC will take 12 months to develop, test and certify. The first 757PCC will be delivered to **ATSG** in late 2012. **Precision** completed 27 757 P2F conversions so far, including five this year. The aircraft are being converted at two MRO firms – Florida's **Flightstar Aircraft Services** and **Taikoo Aircraft Engineering—TAECO** in Xiamen, China. The first **TAECO** conversion was completed this year and the Chinese firm will be responsible for 50 percent of upcoming conversions.

AerCap, the **Airbus Freighter Conversion** A320 passenger-to-freighter—PTF launch customer will deliver the first three jet freighters to **West Atlantic**. But certification is delayed until late 2012. **AerCap** ordered 30 A320PTF conversions in 2008. It will lease the first three to the European cargo carrier in November 2012 and mid-2013. **West Atlantic** has the option to lease four more A320PTFs by 2015. **Airbus** planned to start work on the first A320PTF in early 2011, but the program was delayed twice and the target date for certification slipped to November 2012. The prototype A320PTF will be the first plane delivered to **West Atlantic**. Work on the plane will start at the **EADS EFW** facility in Dresden at the end of 2011. **Airbus** delayed the program because it felt the industry was not financially ready for the A320PTF. Its spokesman, Mr. **Fuerst** said, "We need the right feedstock and the right prices of feedstock." The purchase price for a used A320 has dropped to \$4.5-6.5 million and the conversion will cost approximately \$4.5 million. **Airbus** will finish the first four conversions in 2012 and plans to convert 15-16 aircraft in 2013. **Airbus Freighter Conversion** will open a second A320PTF conversion line in Russia in 2013 in partnership with **United Aircraft**. Once both lines are open, **Airbus** will be able to convert 30 aircraft annually.

Pemco offers its own 757 P2C conversion program. The company is working on four 757-200 P2C conversions for its launch customer **National Air Cargo**. Three 757s are in house and a fourth will be flown to the Alabama facility shortly. **Pemco** said it will take four to five months to certify its P2C 757 conversion. Its STC will be partially based on the 757-200P2F conversions developed by **Alcoa-SIE Conversions** in 2006. The company acquired the **Alcoa-SIE** 757-200 P2F STC in 2009. Flight tests will begin this year and the plane should be certified in the first quarter of 2011. All four 757 P2Cs will be re-delivered to **National Air Cargo** in Michigan, in the first half of 2011. The planes are equipped with **Rolls-Royce** RB211 engines and are 180-minute ETOPS capable. The **Pemco** conversion carries 10 pallets and 46 passengers in premium economy seating. **Pemco** has plenty of experience converting narrowbody Boeing planes into freighters. Most recently it converted 737-400s into freighters for **Alaska Airlines**. **Pemco** has not sold any 757 P2F conversions it hopes to make its first deals next year.

Israel Aerospace Industries—IAI Conversion Work Picks Up. After two slow years, **IAI's Bedek** unit is ramping up its cargo conversion line. The company secured 29 new cargo conversion orders for 10 737-300/400s, 14 767-200/300s and five 747-400s. At the **Cargo Facts 2010 Aircraft Symposium**, **IAI** VP **Jack Gaber** said his company secured orders for 10 767-300BDSF—**Bedek** Special Freighters and four 767-200BDSFs. Industry sources at the conference said that **Air Transport Services Group—ATSG** ordered all 14 conversions and suggested that the 10 plane order actually consisted of three firm aircraft and seven options. **ATSG** subsidiary **Cargo Aircraft Management** purchased three 767-338ERs from **Qantas** in June and will have them converted into freighters by July 2011. **ATSG** owns **ABX Air**, which may need to have four of its 14 767-200PF—**Package Freighters** converted into full freighters. The 767PF does not have a freight door but has a re-enforced floor and window plugs. Mr. **Gaber** said an Asian airline ordered three 747-400BDSF conversions and an undisclosed customer ordered two 747BDSFs. A deferred order for two 747 conversions contracted by **DVB** are not part of the new orders. **IAI** is converting two 747-400s for the German bank after a several year delay. **GECAS** ordered 10 737-300/400BDSF conversions this year. **GECAS** will also receive a 737BDSF from an earlier order. All 29 of this year's BDSF orders will be filled in 2010 and 2011. **IAI** expects to convert seven 747-400s in 2011 so it has open production slots, right now. The company converted two 747-400s in 2009 and will convert four 747-400s this year, due to cancellations and deferrals caused by the recession.

Boeing Expects to Launch the 777 Boeing Converted Freighter—BCF) Program by mid 2011. The company expects to start with 777-200ERBCFs before the 777-200BCF. Originally **Boeing** thought the older 777-200 would be converted ahead of the 777-200ER. Now the ER attracts more market interest. Most of the 88 - 200s built are operated by four airlines, which plan to keep them for a while. Only 60 777-300s have been built and few are available for sale, again limiting the potential market for a conversion. The -200LR and -300ER models are too new and two expensive for conversions. The manufacturer is talking to seven or eight airlines but probably will not land a launch customer until 2011. One quality customer, such as **FedEx** or **UPS** or a few smaller customers could get the program started. The 777-200ERBCF can offer an 180,000lb payload and a range of 4,000nm. If it is launched in 2011, the plane could enter service in 2014. **Boeing** is talking two nearly a dozen aircraft maintenance firms about performing the passenger-to-freighter conversions.

TNT Airways, Belgium will lease three Boeing 777 freighters from **Guggenheim Aviation Partners**. They will be delivered from July to December 2011 and will be operated on **TNT's** Asian routes. **TNT** uses two owned and two leased 747-400ERFs on its Europe-Asia routes. The 777F will be able to replace the 747s on a tail for tail basis because they have nearly equivalent capability.

Aeronautical Engineers—AEI won a contract to convert a 737-400 into an 11-pallet passenger to freighter 737-400SF for an undisclosed customer. The 737 is a high gross weight -400 built in 1989. It is being modified and undergoing heavy maintenance at **Commercial Jet, Inc.**, **AEI's** conversion center in Miami, Florida.

AIRCRAFT DELIVERIES & SALES Jet Aircraft

A319. **Airbus** delivered five A319s in September, including three -111s SN 4437, 4444 & 4451 to **easyJet**. One private customer accepted -133X SN 4428. **Hainan Airlines/West Air** accepted -133 SN 4452.

A320. **Airbus** delivered 27 A320s in September, including five to leasing companies. **GECAS** leased -214s SN 4432 to **Saudi Arabian Airlines** and SN 4448 to **Virgin America**. **Aerventure** leased -214 SN 4411 to **Wataniya Airways** and -232 SN 4431 to **Spirit Airlines**. **BOC Aviation** leased -232 SN 4434 to **Jetstar Airways**. Middle Eastern airlines **Saudi Arabian** took -214 SN 4408 directly from **Airbus**, **Libyan Airlines** accepted its first of seven new -214s SN 4405, **Israir** bought its second new -232 SN 4413 and **Qatar Airways** received -232 SN 4436. **Airbus** delivered six -200s to Chinese airlines—including **Tianjin**-built -232 SN 4325 to **China Southern** and two -232s SN 4309 & 4342 to **China Eastern** and three European-built -232s SN 4407 to **Shenzhen Airlines** and -232 SN 4424 to **Sichuan Airlines** while **Hainan** leased newly-delivered -232 SN 4440 to **Beijing Capital Airlines**. European airlines took three -214s, SN 4402 by **Air France**, SN 4433 by **Air Berlin** and SN 4449 by **Lufthansa**. **LAN Airlines** took delivery of -233 SN 4439 and its new partner, **TAM** received -214 SN 4446. In Asia, **Philippine Airlines** accepted -214 SN 4415 and leased it to **Air Philippines**. **Air Asia** received two -216s SN 4404 & 4426. The second went to **Thai AirAsia**. **Go Air** accepted -214 SN 4438. **Airbus** delivered -232 SN 4421 to **Tiger Air** and -232 SN 4457 to **Silkair** in Singapore. A **Private Customer** accepted a -200. No other information was released.

William Wagner at **Wagner Aeronautical** designed the 757-200 P2F conversion program for **Precision Conversions**. Mr. **Wagner** said his company was “tinkering” with a 767 P2F conversion for two years and he believes there is enough demand for a third 767 conversion provider, after **Boeing** and **IAI**. **Wagner** is preparing to launch a 767-300ER passenger to freighter (P2F) conversion program by March 2011. He expects to win an order for 10 conversions from a launch customer by then. The certification process should take two years. He is talking to MRO shops in Asia and the US. **Singapore Technologies Aerospace** performs P2F conversion for **Boeing** and **IAI** does its conversions in Israel. By the end of the year, **Boeing** will have completed seven 767-300SFs and **IAI** completed four 767-300BDSFs.

A380. **Airbus** delivered the 13th A380-861 SN 042 to **Emirates** in September. The manufacturer has delivered 37 A380s to five international airlines. It delivered 14 this year.

Air Arabia took delivery of the first of 44 A320s it ordered in 2007 and 2008. It becomes the newest Middle Eastern operator of A320s delivered directly from **Airbus**. **Air Arabia** will be one of the region's largest A320 operators when the last of the new A320s joins the airline's fleet of 23 leased A320s.

AWAS took delivery of its first of 79 ordered A320s in October. This -232 SN 4459 was leased to **Jetstar Pacific Airlines**. The remainder of the A320s will be delivered through 2015. **AWAS** reported that it has placed nearly 30 percent of its ordered A320s and recently announced multi-aircraft lease transactions with **Royal Jordanian**, **Air Via** and **Frontier**.

Sales and Leasebacks. GE Capital Aviation Services—GECAS completed a purchase and leaseback of three new A320s with **Avianca-TACA**. The terms were not disclosed. The first two A320s were delivered in August and October. The remaining aircraft is scheduled for delivery in December. **Wizz Air** will sell and leaseback three new A320s with **Jackson Square Aviation**, a new financial vehicle. All three jets are scheduled to be delivered in the second quarter of 2011. They will be leased back to **Wizz Air** for 11-year terms. **Jackson Square** was involved in a sale and leaseback transaction with **Air Berlin** this year. **Macquarie AirFinance** purchased two 2006-vintage A320s from **Air Berlin**. The airline leased them back for a long-term and sub-leased them to **NIKI** in Austria.

A321. Only one A321 was delivered in September; -231 SN 4430 to **China Southern Airlines**.

A330. **Airbus** delivered 11 A330s in September, including three 200F freighters. **Etihad Airways** accepted its second -243F SN 1070. **Hong Kong Airlines** leased -223F SN 1051 from **Aircastle Limited**. **Turkish Airlines—THY Cargo** received the first of two A330-243F Freighters, SN 1004. Two -223s were delivered, -223 SN 1155 to **Korean Air** and **Hong Kong Airlines'** fourth -223 SN 1054. **Turkish Airlines** accepted its first -343E SN 1150. **Singapore Airlines** leased one -343E SN 1146 from **Lease Corporation International** and SN 1149 from **Waha Capital**. **Singapore** transferred one of its 19 A330-300 orders to each lessor. **Saudi Arabian Airlines** took delivery of its fifth -343E SN 1147 and **AirAsia X** received -343E SN 1131. **AerCap** leased -343E SN 1151 to **Asiana Airlines**.

BAE Systems is selling eight A340-200/300s on behalf of **GMT Global Republic Aviation**. Six A340-200s are leased to **South African Airways** and two A340-300s are leased to **Virgin Atlantic Airways**. The aircraft will become available from April 2011 to early 2012.

BAE Systems delivered two **Avro Business Jet—ABJs** recently. One newly converted ABJ went to **Casino Rodos** to carry clients from Europe to their casino on the Greek island of Rhodes. The former BAE 146-200 now has a 34-seat interior. **Inflite Engineering Services** did the conversion. The ABJ is operated by **Alfa Air** of Bucharest, Romania and is available for charters when not being used by **Casino Rodos**. **Minera San Cristobal**, Bolivia operates its ABJ on corporate shuttle operations flying personnel to and from its mine in Potosi in airline configuration. The mine and airplane are owned by the Sumitomo Corporation, Japan. **BAE Systems** has sold 24 ABJs to date.

Boeing 737NG. Boeing delivered 33 737s in September, including four -823/Ws SN 29556, 31105, 33214 & 40581 to **American Airlines** for a fleet total of 142 -800s. **Delta Air Lines** received -8FZ/W SN 31779 and sold it to **Babcock & Brown** and leased to **Malaysian Airline System**. The **United States Navy** received its 11th -7AFC/W (C-40A) SN 40574. The Navy has one more C-40A on order. **Boeing Business Jet** accepted -9FGER /W-BBJ SN 39318. It was delivered to the **Saudi Ministry of Finance**. **Ryanair** took delivery of four -8AS/W SN 34980, 34981, 34983 & 40289. **KLM - Royal Dutch Airlines** bought -7K2/W SN 38054. **Norwegian Air Shuttle** accepted two -8JP/W 39003 & 40865. Leasing companies took eight 737s, including two -800s for **Aviation Capital Group**. The first, -8HX /W SN 36848 was leased to **Skymark Airlines** and -8U3/W SN 36850 went to **Garuda Indonesia**. **C.I.T. Leasing Corp.** leased -8JP/W 37818 to **Norwegian Air Shuttle** and -8BK/W SN 37819 to **Garuda**. **Dubai Aerospace Enterprise** leased -8KG/W SN 39448 to **T'Way Air** and -8KG/W SN 39449 to **Virgin Blue Airlines**. **Shandong Airlines** leased -8FH/W SN 40883 from **RBS Aviation Capital**. **BOC Aviation** leased -84P/W SN 35425 to **Hainan Airlines**. Boeing delivered -8U3/W SN 30149 directly to **Garuda Indonesia**, -84P/W SN 35761 to **Hainan Airlines** and -8FE/W SN 37823 to **Virgin Blue Airlines**. **Air Algérie** took delivery of its 11th -8D6/W SN 40858. They will receive two more by New Year and four in 2011. **Egyptair** acquired -866/W SN 40757 and **SunExpress Airlines** took -8HC/W SN 40755. In Asia, **Lion Air** bought its 37th -9GPER SN 37272, out of 178 on order. **All Nippon Airways** received its 12th of 17 -881/Ws SN 33899 and **Xiamen Airways** added three -85C/Ws SN 37150, 37151 & 37152 to its fleet of 22 737-800s.

GE Capital Aviation Services—GECAS purchased and leased-back a new -846/W SN 40346 with **Japan Airlines** in September. **GECAS** leases a number of aircraft to **JAL**. **GECAS** delivered a -800 to **Okay Airways**, China. This is the **GECAS'** first lease transaction with **Okay**.

AWAS leased a 737-400 to **Nok Air**, Thailand. This is the low-cost domestic airline's seventh -400 and it intends to expand its fleet further. **Nok Air** is a new customer for **AWAS**.

Boeing 747. **Aircastle Limited** will acquire two 747-400F freighters from **Japan Air Lines**. The planes will be handed over to **Aircastle** by the end of the year. **Aircastle** signed letters of intent to long-term lease both aircraft to industry-leading cargo carriers, **Aircastle** said.

AerSale reported that it was buying 19 CF6-80C2B1F-powered 747-400 passenger aircraft from **Japan Air Lines—JAL**. **Nicolas Finazzo**, **AerSale's** CEO said the company was buying all of **JAL's** remaining 747-400s. "We have made a substantial financial commitment to **AerSale's** growth plan, enabling us to provide quality aircraft that have been impeccably maintained by a top-tier international

Cathay Pacific Airways, Hong Kong will take delivery of its first 747-8F freighter in the third quarter of 2011, due to two delays in the certification program. **Cathay** was originally scheduled to receive its first aircraft in January 2011. The carrier ordered 10 747-8Fs and will now take six aircraft in 2011 and the remaining four in 2012. In mid-2011, the airline plans to sell four 747-400BCFs to **Air China Cargo**, a **Cathay-Air China** joint venture, based in Shanghai. This could lead to a "small reduction" in cargo capacity from May to July 2011, a **Cathay** spokeswoman said. The 747-8F launch customer **Cargolux** will accept its first -8F in mid-2011, a six-eight month delay from the previously scheduled late 2010 date.

airline. This is the second of several large scale multi-fleet acquisitions included in our 2010 business plan, with another announcement to follow soon.”

Boeing 757. **Jetscape** sold ex- **SkyService** -236ER SN 24772 to **Federal Express Corporation**. The 1992 vintage aircraft is powered by Rolls Royce RB211-535-E4 engines. **British Airways** repainted one of its last -236s, registered G-CPET, in its original livery, dating back 27 years. The airline retired the type on October 30 and wanted to send it off with some dignity. The 757 continues to fly for **BA's** French-based premium service subsidiary **OpenSkies**. The livery features the single brand “British” and the “speedbird” logo on the forward fuselage, with the waving Union flag design on the tail fin. **BA** operated 54 757s at one time. The last of them will be sold to **FedEx** for freighter conversion.

Boeing 767. **Japan Airlines International** took delivery of -346ER SN 40363 in September. **AWAS** delivered -33AER SN 27310 to international charter airline **Nordwind Airlines**, Moscow, Russia. The aircraft will operate to several cities to Europe, Turkey, Egypt and the Far East. **Martinair Holland** will retire its four early-90s model -300ERs SN 35312, 25535, 26469 & 26470 in November 2011 and revert to being an all-cargo airline. The airline leases a 747-412SF from **Air Castle** and operates seven MD-11Fs.

Boeing 777. **Boeing** delivered four 777s in September including two 777-FS2s SN 37725 & 37726 to **FedEx**. **Deucalion Capital VII Limited** leased new -FZN SN 36199 to **AirLogic**, Germany. **Qatar Airways** accepted -3DZER SN 38244. **Boeing** delivered the first -300ER to **Turkish Airlines** in October. The airline has 11 more on order and will receive four more -300ERs by the end of 2010. **GECAS** took delivery of a 777F freighter SN 37715 and leased it to **China Cargo Airlines**. The aircraft comes from **GECAS'** existing order book.

Bombardier. **American Eagle Airlines** took delivery of three CRJ 702ERs SN 10309, 10310 & 10311 in September. **Pluna** took delivery of two CRJ 900LRs SN 15233 & 15234. **Eurowings** accepted three CRJ 900LRs SN 15236, 15241 & 15243.

Embraer delivered the EMBRAER 170-200LRs SN 17000313 to **LOT Polish Airlines** and E-170 SN 17000314 to **J-Air**. **Al Habtoor Group**, Dubai took delivery of Lineage 1000 executive jet E-190-100BJ SN 19000236. The aircraft is managed and operated by **Royal Jet** based in Abu Dhabi. The order was announced in July 2008. **Grupo Omnilifeb** accepted Lineage 1000 SN 19000243. It will be operated by **Omniflys**. **Embraer** delivered E-190-100 IGW SN 19000365 & 19000377 to **Austral Lineas Aereas**. **Azul Linhas Aereas** accepted SN 19000378. **Lufthansa Cityline** took delivery of E-

Douglas. Australia's Bushfire Co-operative Centre concluded that the **10 Tanker Air Carrier** DC-10-30 air tanker is not suitable for effectively suppressing fires under Australian wildfire conditions. The **Bushfire CRC** tested the tri-jet water bomber for 10 weeks and found it to have “limited effectiveness.” The tanker was deployed on only one wildfire where it dropped one load. The **Bushfire CRC** flew five more test runs and found the plane’s drop patterns were not consistent. This was due to a combination of the fast drop speed and the design of the delivery system. “The results from these evaluation missions indicate that there are often problems with the consistency of many drops from the DC-10 air tanker,” the **Bushfire CRC** said. It looks like the DC-10 air tanker has not found its market.

Hello, Switzerland is retiring its three MD-90s by January and replacing them with A320s. The MD-90s will be returned to **SAS Group** and then be leased to a US carrier (probably **Delta**) in 2011.

190-100LR SN 19000381 and **KLM Cityhopper** got E-190-100 STD SN 19000380. Two EMBRAER 190s SN 19000372 & 19000373 were delivered to **Gulf Air** in October. The national carrier of the Kingdom of Bahrain leased the E-190s from **Jetscape**. **Gulf Air** acquired two EMBRAER 170s in March. **Baboo**, a Swiss regional carrier will return two of its three EMBRAER 190 regional jets to lessors. It is cutting several cities from its route system and no longer needs the longer range jets. The airline also flies two Dash 8-400s.

Turboprops

ATR delivered two ATR 72-500 SN 918 & 926 to **TRIP Linhas Aéreas**, Brazil in September. **Precision Air Services** accepted -500 SN 923. **Vietnam Airlines** received -500 SN 925 in September

Bombardier delivered two DHC-8Q-400NGs SN 4326 to **Austrian Arrows** in September. **Pinnacle Airlines** took delivery of SN 4328 in August and it is operated for **Continental Connection**. **Air Niugini** received SN 4329. **Aires**, Colombia acquired four used 78-seat Q400 turboprops. The airline operates a fleet of 11 37-passenger Dash 8/Q200 turboprops, as well as mainline jets. **Bombardier** has firm orders for a total of 391 Q400 and Q400 NextGen aircraft, and has delivered 312 of them as of July 31, 2010.

Accidents and Safety

From Aviation Safety Foundation

National Air Cargo Lockheed L-100-20 Hercules, 5X-TUC, SN 4362 crashed short of **Kabul Airport**, Afghanistan, during a flight from **Bagram Air Base** on October 12. All eight crew members were killed. The cause of the crash was not announced. The 1969-model Hercules was owned by **Transafrik** and leased to **National Air Cargo** of the United States.

Sita Air Dornier 228-202K 9N-AHB, SN 8169 hit a wall beside the runway as it landed at **Lukla Airport** near Mount Everest, on October 12. The press reported that the 228's brake system failed. None of the 14 people on board were injured.

Zambia Air Force: Harbin Yunshuji Y-12-II AF-215, SN 0088 was written off on October 16, when it overran the runway at **Mukinge Airport**, Zambia. There were no fatalities.

TRACEP Let 410UVP 9Q-CUA SN X0101 was damaged beyond repair October 21 and the two crew were killed. The press reports that one engine failed during climbout from **Bukavu-Kamenbe Airport** in the Democratic Republic of Congo.

Indonesian Police PZL-Mielec M28-05PI Skytruck P-4204, SN AJE 003-07 crashed near Wami, Indonesia on October 27. All five people on board were killed. The airplane was operating aid flights in in West Papua.

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.

AIRLINE IMPROVEMENT PROGRAMS

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.

ECONOMIC & TECHNICAL ANALYSES PROGRAMS

We prepare traffic/operation forecasts and financial analysis for airport and other facilities planning; competitive evaluation of performance/design characteristics and market potential for new aircraft; critical assessment of capability, marketing strategy and opportunities for suppliers of products and services; and air service needs related to tourism development.

PUBLICATIONS

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.

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AIRCRAFT VALUES
(TAV)** today.

Sample of Avmark Publication

TRANSPORT AIRCRAFT VALUES (TAV)

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

Select Aircraft Type

Available Aircraft

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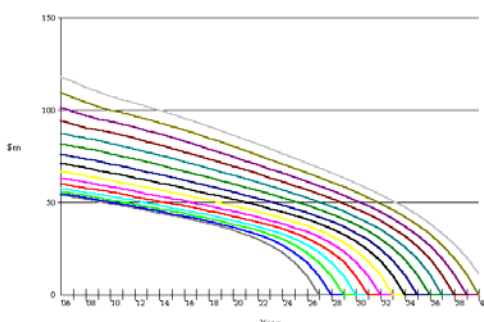
Print Preview

Aircraft: Airbus A340-300 - Widebody 4 Engine Passenger

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	63.14	66.80	71.07	75.94	81.43	87.52	94.23	101.54	109.47	118.00
2007	52.83	53.49	54.70	56.56	58.99	62.01	65.62	69.95	74.86	80.37	86.46	93.18	100.50	108.43	116.96
2008	51.69	52.36	53.61	55.43	57.85	60.84	64.42	68.69	73.65	79.18	85.27	92.00	99.32	107.25	115.78

CAVAS Graph



Profit & Loss Report

Aircraft Type		Airbus A340-300					2020 2019
Period		1	2	3	4	5	Period
REVENUES (US\$'s)							
Passengers		49,328,754	49,270,739	49,212,559	49,154,213	49,095,701	49
Freight & Mail		8,879,176	8,868,733	8,858,261	8,847,758	8,837,226	8
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	58
VARIABLE EXPENSES							
Fuel		6,918,975	6,917,742	6,916,470	6,915,177	6,913,845	6
Landing Fees		3,021,823					
Enroute Charges		392,440					
Pax Commissions		7,399,313					
Freight Commissions		1,331,876					
Food & Supplies		3,993,194					
Passenger Liability Insurance		379,590					
TOTAL VARIABLE COST		23,443,212					
SEMI-VARIABLE EXPENSES							
Crew Salaries & Expenses		5,177,760					
Maintenance & Engineering		587,650					

Aircraft Type		Airbus A340-300	
Period		1	2
Profit & Loss Report			
FIXED EXPENSES			
	Station Overhead	346,597	345,513
	Maintenance Burden	176,295	351,613
	Other Overhead	0	
	TOTAL FIXED COST	522,892	697,126
TOTAL OPERATING COST			
		31,464,977	32,185,019
	General and Admin. Allocation	1,573,225	1,609,225

Profit & Loss Report

Aircraft Type	Airbus A340-300				
Period	1	2	3	4	5
FIXED EXPENSES					
Station Overhead	346,597	345,923	345,249	344,575	343,901
Maintenance Burden	176,295	351,824	526,586	700,581	873,810
Other Overhead	0	0	0	0	0
TOTAL FIXED COST	522,892	697,747	871,835	1,045,156	1,217,711
TOTAL OPERATING COST	31,464,497	32,185,749	32,903,601	33,618,052	34,329,104
General and Admin. Allocation	1,573,225	1,609,287	1,645,180	1,680,903	1,716,455
TOTAL COST	33,037,722	33,795,036	34,548,781	35,298,955	36,045,559
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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Reports current fair market values by year of build and project the future value of all transport category aircraft. The future values are based on an economic model which projects the values based on the earning stream of approximately 130 different types of aircraft for their useful life. The model takes into account the operating cost and characteristics of each aircraft, worldwide and future traffic volumes and fare levels and current and future fleet compositions. The values are presented in both constant and then-current dollars.

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for
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TRANSPORT
AIRCRAFT VALUES
(TAV)**

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