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Market Comment

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Seventy-Fifth Anniversary of the Douglas DC-3. The airplane that transformed commercial air transportation first flew on December 17, 1935. It was so efficient that passenger fares covered the 72 cent per mile operating costs. Before then, the **U.S. Post Office** subsidized the airlines. The airplane was fast enough to cross the country in 18 hours and it was safe enough that passengers and flight crews could buy flight insurance for the first time. Air traffic in the U.S. rose from 570,000 passengers per year in 1934 to 3.15 million per year in 1940. The DC-3 was introduced into airline service on June 25, 1936. By 1941, it replaced all of its competitors in the U.S. and carried more than 90 percent of the country's passengers. **Douglas** delivered 434 commercial DC-3s by December 1941 and built another 10,200 for the military by September 1945. War surplus DC-3/C-47s were sold by the thousands to civil operators after the war. The C-47 was the foundation for many flag airlines in the developing world. It was also used by the second tier U.S. airlines that expanded their route systems after the war. Trunk carrier **American Airlines'** president **C.R. Smith** launched the DC-3 with an order for 20 of them in 1934. The airline used a \$4.5 million loan from the **U.S. Government Reconstruction Finance Corp.** to pay for them. By 1941, the airline operated an all-DC-3 fleet of 67 airplanes. The airline was able to cut fares by 50 percent from 1935 to 1941 as traffic rose by 300 percent. After the war, **American** replaced the DC-3 with long range DC-4s and mid-range Convair 340s. Its DC-3s were sold to national and regional U.S. airlines, charter carriers or were sold overseas. One plane, the **Flagship Knoxville** was delivered in 1940, operated for the **U.S. Army** from 1942 to 1944 and was sold to **Colonial Airlines** in 1946. It was donated to the **C.R. Smith Museum** in 1991 and is the center piece of the collection today. Dozens of other DC-3s and C-47s are in air museums around the world while another 300 are still in active service. **Basler Turbo Conversions** is installing turboprop engines and modern flight instruments on the venerable machines to keep the DC-3 relevant for the 21st Century. **Basler** sells its refurbished BT-67 for approximately \$6.5 million and has converted several dozen aircraft since 1990. Missoula, Montana is home to two DC-3s—one is an ex-**Johnson Flying Service** C-47 in the **Museum of Mountain Flying** and the other is a BT-67 operated by the **U.S. Forest Service**. The DC-3 will continue to fly as long as there is Avgas or kerosene to power it.

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Airbus Orders

Airbus sold 11 narrowbody and eight widebody jetliners in November. **TransAsia Airways** ordered six A321s and two A330-300s last month. The new planes will be used to expand the Taiwan-based carrier's direct services to mainland China as well as launch new regional routes in East Asia. The A330s will be **TransAsia Airways'** first widebodies. **TransAsia** operates five **IAE**-powered A321s and two A320-232s on domestic and regional services, and flies to 13 cities in mainland China. The airline will chose engines for the A330s and the A321s in the near future. The airline is part of the **Goldsun Group** and has been an **Airbus** customer since 1995.

Hawaiian Airlines ordered six more A330-200s. The airline has three A330s in service and another seven A330s and six A350 XWBs on order. The two-class A330-200s will be fitted with 294 seats and **Rolls-Royce** Trent 700 engines. The airline will use the A330s to replace its fleet of 18 Boeing 767s and for expansion.

Iberia confirmed the order for five CFM56-powered A320s that it announced several months ago. The new A320s will join the Spanish flag carrier's all-**Airbus** fleet of 23 A319s, 42 A320s, 19 A321s and 35 A340s.

The Manufacturer delivered 44 aircraft during the month, including two A380s to **Emirates**. **Airbus** has delivered 40 A380s to date. Airline and executive customers received one A318, two A319s, 28 A320s and one A321. **Airbus** handed over 10 A330s in November, including one new A330-200F freighter to **Aircastle Advisor** for lease to **Hong Kong Airlines**.

Avolon, an Irish aircraft leasing group announced a firm order for eight A320s in mid-December. The eight A320s will be equipped with the new, fuel-saving "Sharklets." The Sharklets are large wingtip devices, designed to enhance the fuel-efficiency and payload-range performance of the A320 Family. The Sharklets are expected to lower fuel burn by at least 3.5

percent over longer sectors. The first Sharklet-fitted A320s will be delivered near the end of 2012. **Avolon** will select the A320s' engines in the near future.

Airbus Launches the A320neo—New Engine Option. In early December, the **EADS** Board of Directors approved the new engines for the popular A320. **Airbus** is giving its airline customers the choice between the **CFM International** LEAP-X and **Pratt & Whitney** PurePower PW1100G engines. The A320neo will be fitted with Sharklet wing tip devices as well. The A320neo should deliver up to 15

percent fuel savings and will cut CO₂ emissions by 3,600 tons per plane, per year. The A320neo will cut NOx emissions by more than 10 percent and will reduce engine noise and also lower maintenance costs. The more efficient engines will allow the A320neo to fly up to 500nm (950 km) farther than the A320 or carry two tonnes more payload. **Airbus** will offer the new engine option on the A319, A320 and A321 and it probably will not re-engine the A318 due to its low demand. The A320neo will require limited modification of the A320's wings and pylons. It will have over 95 percent airframe commonality with the standard A320 Family, the manufacturer said. The A320neo's airframe will weigh up to 650 pounds (300kg) heavier than the current airframe. Including engines, nacelles and pylons, the LEAP-X engined A320neo will weigh 1.7 tonnes more than the A320. The P&W PW1100G engined neo will be 1.8 tonnes heavier. Deliveries of the A320neo will start in the spring of 2016. The A321neo will be ready by autumn 2016 and the A319neo will follow six months later. **Tom Enders, Airbus** President and CEO said, "We are confident that the A320neo will be a great success

across all markets and with all types of operators, offering them maximum benefit with minimum change. We are leveraging a reliable, mature aircraft and are making it even more efficient and environmentally friendly." The A320neo will cost more than €1 billion (\$1.3 billion) to develop. It will list price at \$6 million more than the standard A320. The additional \$6 million will include \$3.5 million for airframe modification, around \$1 million for the Sharklet wing tips and \$1 million for the engine manufacturers. The standard A320 lists for \$81.5 million this year. **Airbus** forecasts a potential market of 4,000 A320neo Family aircraft over the next 15 years.

This seems optimistic to **AVMARK** for several reasons. The A320neo should be a transitional type—between the A320 and the all-new A320 replacement given it will have a 12-year lifespan. However, **Airbus** has sold 6,756 A320 Family Aircraft since the A320 was launched in March 1984 and it currently has 2,271 of them in backlog. This forecast expects that **Airbus** will double its A320 sales in

Airbus November 2010 Orders, Deliveries and Backlog

NOV ORD	NOV DEL	NOV CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	83	73	10
			A319		
-0-	2	-0-	1,519	1,270	249
			A320		
5	28	-0-	4,314	2,520	1,794
			A321		
6	1	-0-	840	620	220
			A330		
8	8	-0-	1,116	742	374
			A340		
-0-	-0-	-0-	379	374	5
			A350		
-0-	-0-	-0-	573	-0-	573
			A380		
-0-	2	-0-	234	40	194
This Month			This Year		BL
19	44	-0-	388	461	3,415

**Airbus sold 9,874 aircraft and delivered 6,459 as of
November 31, 2010**
**Total orders, deliveries and backlog include cancellations
and order changes.**

the next 15 years, which is not impossible, but is not likely, considering the advent of the **Bombardier** CSeries, the **Comac** C919 and the **UAC** MS-21 in the same period. **AVMARK** sees the A320neo cannibalizing some of **Airbus'** A320 seven-year backlog, especially for late-term deliveries. However, the neo will give **Airbus** time to perfect a totally-new, composite A320 replacement that will offer considerable improvements over the current A320 design. **Boeing** will react by either re-engining the Next Generation 737 or by launching its composite 737 replacement earlier than it wants. Recently **Boeing** stated emphatically that it would not put new LEAP-X engines on the 737. If that is true, one option is to start work on an all-new narrowbody. **Boeing** said the new engines and technology are not mature enough to justify a new design. Therefore it will try to squeeze more efficiency out of the current CFM56-7 engine and the current aluminum-skinned 737 wings and fuselage. **AVMARK** makes a rough guess that **Airbus** will sell 2,000 A320neos and will see customers switch orders for 200-300 A320s to the neo. By 2022, **Airbus** will start delivering the all-new A320 replacement. The A320neo will be a success because in 10 years it will be easier to finance fuel efficient jets than it is to find new sources of oil. The price of oil is expected to rise above \$100 per barrel in 2011 and there are no foreseeable reasons for the price to fall below that ever again. Therefore new airplanes will be cheaper than fuel and airlines will ground their old gas guzzlers.

Airbus Trash Talks Competition. **Airbus'** chief salesman **John Leahy** said the **Bombardier** CSeries has “virtually no business case left” now that the A320neo is launched. Mr. **Leahy** was quoted as saying, “The job for the Canadians has become much harder.” The CSeries “has the same number of seats, we have a wider fuselage, the fuel burn is similar and we offer 1,200 miles [1,930km] more range.” Further, it is “no surprise to the industry that CSeries sales dried up,” because customers were waiting to see if **Airbus** would launch the A320neo. At last count, **Bombardier** has 90 firm orders and 90 options for the CSeries from **LCI**, **Lufthansa** and **Republic**, while **Airbus** does not have a launch customer for the A320neo—yet. Mr. **Leahy** said **Lufthansa**, **AirAsia**, **Qatar Airways**, **International Lease Finance**, **GECAS** and **Indigo** are “very interested” in the neo. **Qatar** is negotiating to buy the CSeries and **Bombardier** nearly announced an order at the **Dubai Airshow**.

Thomas Cook Group signed a Memorandum of Understanding for 12 A321s. The airline expects to confirm the order in early 2011 and will take delivery in 2014 and 2015. The three **Thomas Cook** airlines operate 71 narrowbody and 22 widebody aircraft including A320s, A321s, A330s, 757s and 767s. It wants to standardize its narrowbody fleet with the A320 Family, starting in December 2012. The replacement program will take five years and will source new aircraft through new orders and tapping the lease market. **Thomas Cook** currently leases 48 aircraft which are due for return in 2016. The new A321s will be purchased from **Airbus** and then sold to — and leased-back from — third-party lessors. The airline said it negotiated substantial price concessions from the \$96 million list price. Harmonizing its narrowbody fleet will achieve significant savings from maintenance and fuel efficiency, **Thomas Cook** said.

Bombardier pointed out that the A320neo was “no surprise to **Bombardier**. From the beginning of the CSeries we had factored in a competitive response such as this. There is a considerable first-mover advantage for the CSeries with the entry-into-service date considerably sooner than any competing re-engined product.” The CSeries will be delivered in 2013, three years before the A320neo. It is offered in 110-seat and 130-seat configurations, so it competes with the slow-selling A318 and the much more popular A319. The CSeries may also be stretched to 150 seats and impact the A320. Mr. **Leahy**

countered that the A320neo does not need a launch customer because the neo is not a typical program. He said the number of A320s that **Airbus** sells is more important than the number of A320neos it sells. He is confident that few A320 customers will switch to the A320neo. "Virtually nothing in our backlog will convert to the neo," he said, while most of the new A320 orders for 2016-2017 delivery will be for the neo version. Mr. **Leahy** said, "I envision that you could always order an A320 with the existing engine if there is enough demand." **AVMARK** thinks that demand will drop when customers decide the fuel savings the A320neo engines offer does not offset the lower price for the standard model. Mr. **Leahy** said he expects to sell a "couple of hundred" A320neos within a year.

Aircastle's CEO Ron Wainshal said the A320neo will lower the residual values of existing A320 Family Aircraft. "This will be the first time in history where the same generation airplane will be replacing itself," he said. Mr. **Wainshal** told reporters that the A320neo is a "half-way measure" that will be eclipsed by the **Boeing 737NG** replacement. "I don't see lessees paying more for a fast-depreciating neo than they do for current generation airplanes. I am very happy with the NG family we have, which are earlier production airplanes, because residual value exposure is much less than those in later years." **Airbus COO John Leahy** countered with, "We expect significant orders from major lessors. Residual values will be affected in a positive way because [the A320neo] keeps A320s in production for much longer." He explained that it's the all-new aircraft programs that wreck residual values.

Boeing Dismissed the A320neo because it was driven by a need to catch up with the 737NG airliner. A spokesman said, "We continue to make continuous improvements to the Next-Generation 737," which includes a 2 percent reduction in fuel burn that will be introduced in 2012. The 737NG was introduced in 1998. It "is significantly more fuel efficient than the A320," he said. **Airbus** disputes that, saying their planes are more efficient when competing models are compared. **Boeing** said it is keeping its options open as to whether it will upgrade with new engines, launch a new plane, or stick with incremental performance improvements.

Airbus' Global Market Forecast sees a need for almost 26,000 new passenger and freighter aircraft valued at \$3.2 trillion. They will be delivered until 2029 to satisfy the demand for newer more eco-efficient models in mature markets and feed the dynamic growth in emerging markets, especially from low-cost carriers in Asia which are driven by market liberalization. In 2009 **Airbus** forecasted a need for 25,100 deliveries over the same period. The new forecast reflects a higher growth rate of 4.8 percent when compared to the 2009 forecast's 4.7 percent rate. The majority of the additional 900 aircraft will be narrowbodies. Approximately 25,000 of the new planes will be passenger models valued at over \$2.9 trillion. Ten

Airbus Reports Indian Airline Plans. **Air India** will lease 10 A330s and 15 A320s worth \$3.1 billion from leasing companies. Rival **Jet Airways** will lease 10 A330s worth \$1.9 billion. The 20 A330s are worth €2.8 billion (\$3.7 billion) according to the **Indian Government**. The 15 A320s therefore are priced at \$1.3 billion. **Airbus** has not announced the orders as of December 15. **Airbus** said the "carriers would select an engine supplier and leasing company in the near future," according to Indian press reports. **Jet Airways** did not respond to the report. **Air India** explained the Indian aviation sector had picked up and there was a spurt in demand. The new aircraft are needed to cater to the increased passenger traffic. **IndiGo** received government permission to buy 150 airplanes. The low-cost carrier has already ordered 100 A320s and has 32 of them in service. It is not clear whether **IndiGo** will buy 50 or 150 more planes.

thousand of the passenger aircraft will replace older, less-efficient airplanes and the other 15,000 will be used for growth. There are 14,000 passenger aircraft operating today, and this number will rise to 29,000 aircraft by 2029. Freight traffic is rising at 5.9 percent, translating into a demand for around 2,980 freighters. Only 870 of those freighters will be new aircraft and are valued at \$211 billion. The other 2,110 will be converted from passenger aircraft. **Airbus** sees a demand for 1,700 Very Large Aircraft—VLA passenger and freighter aircraft which are in the A380 and 747 class. They will be worth more than \$570 billion. It has been estimated that three quarters of the new VLAs would connect the world's 'mega' cities. Approximately 6,240 new twin-aisle passenger and freighter aircraft will be delivered in the next 20 years. The 250 to 400-seaters will be valued at some \$1,340 billion. The market is split between small twin-aisle (250 to 300 seats) with 4,330 deliveries and the intermediate twin aisle (350 to 400 seat) aircraft, of which 1,910 will be built. Almost 17,900 single-aisle aircraft worth some \$1,274 billion will be delivered in the next 20 years. These airplanes represent 69 percent of deliveries and 40 percent of the total value of new aircraft.

Boeing Orders

Boeing Sold Eight 737s, One 777 and Eight 787s in November. LAN Airlines ordered one 777F, for its cargo unit. LAN will take delivery of two 777Fs in the fourth quarter of 2012. **Saudi Arabian Airlines** picked up eight 787-9s that were cancelled by **ALAFCO**, Kuwait. An **Unidentified Customer** ordered three 737-700s in early November. Another **Unidentified Customer** bought five 737-800s at the end of the month. **Boeing** identified **GOL Airlines** as the customer for 20 737s that were ordered in September. In December, an **Unidentified Customer** ordered one 737NG and another **Unidentified Customer** bought four 737s. As of December 14, **Boeing** had sold 455 737NGs, one 747-8, three 767s, 76 777s and 36 787s. The company lost orders for 22 737NGs, 30 777s and 41 787s bringing its current net orders to 482. **Boeing** delivered 27 737s, one 767 and six 777s in November.

Saudi Arabian Airlines formally declared it will acquire eight 787-9s from Kuwaiti lessor **ALAFCO**. The orders were transferred from **ALAFCO** to **Saudi Arabian** and are reflected in the November "orders and deliveries" totals.

Boeing November 2010 Orders, Deliveries

NOV ORD	NOV DEL	NOV CANX	TOTAL ORD	TOTAL DEL	BACK LOG
737					
8	27	-0-	8,778	6,605	2,173
747					
-0-	-0-	-0-	1,527	1,418	109
767					
-0-	1	-0-	1,044	993	51
777					
1	6	-0-	1,166	902	264
787					
8	-0-	-8	847	-0-	847
This Month			This Year		BL
17	34	-8	489	420	3,444

Boeing sold 20,892 aircraft and delivered 17,448 as of November 31, 2010
The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.
Sales totals are net, minus cancellations.
Boeing lost 22 737NG, 30 777 and 41 787 orders this year.

Saudi's original plan was to buy 12 GENx-powered 787-9s. Now it will lease the other four from **ALAFCO** in 2012. The purchased aircraft should arrive in 2014 and 2015. **Boeing** said **ALAFCO** ordered 22 GENx-engined 787-8s in September 2006 and now has 14 on order.

Copa Airlines revealed its previously unannounced orders for 22 737-800s in November. An order for two 737s was placed in June and 20 737s were purchased in October and were attributed to an unidentified customer on **Boeing's** orders and deliveries website. The firmly ordered airplanes are valued at approximately \$1.7 billion at list prices. The 22 firm aircraft plus 10 options will be delivered between 2015 and 2018. This was **Copa Airlines'** largest aircraft order and increases the airline's fleet to 70 737-700s & -800s. The airline entered into leasing agreements for an additional 10 737-800s. **Copa's** Panama City base is called "The Hub of the Americas". **Copa** services 46 destinations in 24 countries and specializes in north-south travel through its hub.

Southwest Airlines CEO **Gary Kelly** said the airline will switch 20 737-700 orders to the 737-800 model. Deliveries will start in March 2012. The 737-800s will be delivered in full Extended-range Twin-engine Operational Performance Standards—ETOPS configuration. They will also be fitted with **Boeing's** Sky Interior. The 737-800s will be **Southwest's** highest capacity and longest range aircraft. The -700s are fitted with 137 tourist class seats, while the -800 could carry 175 passengers on routes to Hawaii and Alaska.

Aeroflot announced it will buy 16 new 777s, because of delays in the 787 program. They will be delivered from 2012 to 2017. The 777s will be interim capacity and are worth \$4.1 billion at list price. The flag carrier ordered 22 787s that are now three years behind schedule. **Aeroflot** said it wants two 787s in time for the 2014 **Winter Olympics** in Sochi, Russia. To illustrate how far off schedule the 787 is, the Chinese airlines expected to have some of their 787s in service during the Beijing **Olympic Games** in 2008.

Boeing Will Raise Aircraft Prices by about 5.2 percent in 2011. This is the first increase in two years and is due to higher costs for wages, goods and services. In 2008, **Boeing** increased its list price by an average of 2.6 percent, while the year before it boosted its prices by 5.6 percent. In spite of the increases, large airlines and leasing companies negotiate large discounts. The average price for the 737 rose from \$69.3 million to approximately \$71.4 million. The list price of the 777 rose to about \$258.2 million from \$246 million. **Boeing's** website said the 787 is offered at \$201.7 million, up 10 percent from \$183.3 million. It is difficult to understand how **Boeing** can raise the price of an airplane that it can not deliver to its existing customers in a timely manner.

Will Boeing Re-Engine the 737 – Again? **Boeing** does not see any compelling reason to offer a new engine upgrade for its 737NG single-aisle passenger jets. **Boeing Commercial Aircraft** head **Jim Albaugh** believes the airlines will want to wait a few more years for all-new aircraft that will be 20 percent more efficient. He said the A320neo will only offer a few percent improvements over the standard model. Further, Mr. **Albaugh** said the re-engine program will not be simple or cheap. He said that the A320neo's \$6 million higher price will come with higher operating costs, because airlines will have a new type of engine to maintain. The A320 and 737 single-aisle families together make up 44 percent of all commercial jets being flown. They are their respective company's cash cows, but their decades of dominance may be coming to an end. The efficient **Bombardier** CSeries enters service in three years and the **Comac** C919 and **UAC** MS-21 will arrive a few years later. Mr. **Albaugh** said **Boeing** has not made a final decision yet. That will come some time next year, but he seems to be

solidly against a re-engined 737NG. It should be noted that **Boeing** put new engines on its venerable 737 twice already. The first 737 was launched in 1964 with **Pratt & Whitney** JT8D fan-jet engines. The “new and improved” 737-300 fitted with **CFM** CFM56 high-bypass fan engines was built between 1981 and 1999. The third iteration, the 737 Next Generation was developed in 1993. It is propelled by the upgraded CFM56-7 engine. **Boeing** has up to 18 months before it has to make a decision, because it can catch up to the progress that **Airbus** has made at that point. **Boeing** can build a re-engined 737 by 2016, the company said. **Airbus** can bail out of the A320neo at almost any time, because it has four years to produce one. If it drops the neo, **Airbus** said it can develop a new A320 by 2025. **Boeing** expects it can beat **Airbus** to the market with an all-new 737 replacement by 2021. The market for single-aisle planes could be worth \$1.6 trillion over the next 20 years. **Boeing** spokeswoman **Vicki Ray** said, the company was taking its time to “figure out how we help our customers.” It’s really about what the customers need, but the feedback has been mixed, she said. The customers generally favor waiting for a completely new airplane, the company said. **Boeing**, like **Aircastle’s Ron Wainshal**, worries that re-engining the 737 could lower the 737NG’s residual value and cut demand for the 737NGs on backlog. The undelivered single-aisle jets are valued at \$150 billion at list prices. If **Boeing** does re-engine the 737NG, there will be some production overlap between the standard and upgraded models, just as there was in the past.

Boeing Drops the 787-3. It finally decided to cancel the short-haul 787-3. This variant was ordered by **All Nippon** and **Japan Airlines** and was designed specifically for the Japanese domestic market. The 330-seat, 3,500 mile range twinjet was intended to replace elderly, four-engined, high-capacity 747-400Ds. Earlier this year, both Japanese carriers cancelled their orders in favor of the 9,400-mile range 787-8. This model seats only 250 people. **Boeing** announced that it delayed the first delivery of the 787 until the second quarter of 2011. A specific date was not announced. Launch customer **All Nippon** is still set to receive the first 787 — after six delays over the last three years.

Regional Report

Deutsche Lufthansa ordered eight more EMBRAER 195 jets for its **Lufthansa Regional** family. The deal is valued at \$338 million at list prices and deliveries will start in the first half of 2012. In June 2007, the **Lufthansa Group** ordered 30 EMBRAER190s and EMBRAER195s for its regional fleet. Most of them are already in service with **Augsburg Airways**, **Air Dolomiti** and **CityLine**. Upon delivery of the newest E-195s, **Lufthansa Regional** will have Europe’s largest fleet of E-Jets.

Aeroflot is looking at the **Antonov** An-158 short-haul airliner. The An-158 first flew in April 2010 and is a stretched version of the 75-seat An-148. The An-148 will seat up to 99 passengers. **Aeroflot** has already ordered 11 An-148s. Russian Prime Minister **Vladimir Putin** criticized **Aeroflot** for buying more western-built airliners, so the airline wants to move away from reliance on imported aircraft. **Aeroflot’s** general director, **Vitaly Savelyev** said, “We are pinning hopes on the promising MS-21 aircraft.” The **Irkut** MS-21 is a twin-engine narrowbody that can carry from 150 to 212 passengers. It is being designed by **Irkut** and the **Yakovlev** design bureau as part of Russia’s **United Aircraft Corporation**. They displayed a model of the MS-21-200 at **Farnborough International Airshow** this year. The MS-11 is intended to replace the **Tupolev** Tu-154 and Tu-204/214 in service in 2016. **Aeroflot** is listed as a customer for 50 MS-11s worth \$5 billion.

Jet Airways, India announced its order for six ATR 72-500s. The purchase was made in the first half of 2010 and attributed to an unidentified customer. Four new aircraft were delivered in November and the other two will be due in December. When they are delivered **Jet** will operate 20 ATR 72-500s. **Investec International Lease** arranged the financing for the first two aircraft in November; funds were provided by **Crédit Agricole Corporate & Investment Banking** through an export credit agency (ECA) structure supported by **Coface** and **Sace**. The French bank is also acting as the ECA debt arranger and agent for the other four aircraft. **ATR** sold 12 ATR 72-500s and 30 ATR 72-600s, plus 30 ATR 72 options in the first half of 2010 to **Jet Airways**, **Golden Air**, **Lao Airlines**, **Syrian Arab Airlines**, **Azul** and **Air Lease**. In the second half, the manufacturer sold nine ATR 72-600s to **Caribbean Airlines**.

SpiceJet of Gurgaon, India, ordered 15 Q400 NextGen turboprop airliners and optioned an additional 15 airliners. The firm order is valued at approximately \$446 million at list prices and could increase to approximately \$915 million, if all 15 options are converted to firm orders. **SpiceJet** operates 23 **Boeing** 737NGs and wants to expand into secondary markets that can not be served by the larger jets. The six year old airline serves 22 cities and said it could reach more than 60 airports with the 60- to 80-seat turboprops. **Bombardier Commercial Aircraft** President **Gary R. Scott** said, “We expect India to take delivery of 600 commercial aircraft in the 20- to 149-seat category over the next 20 years.” He expects to see his regional and new CSeries aircraft to “capture a sizeable portion of those deliveries.”

Bombardier Aerospace’s revenues shrank to \$1.8 billion from \$2.1 billion last fiscal year. EBIT—earnings before interest and taxes also dropped, to \$87 million, or 4.7 percent of revenues, compared to \$103 million, or 5 percent, for the same period last fiscal year. Free cash flow rose to \$234 million for the third quarter ended October 31, 2010, compared to a free cash flow of \$61 million for the same period last fiscal year, **Bombardier** said. **Aerospace** received 23 net orders during the third quarter, compared to seven for the same period last fiscal year. It delivered 53 aircraft, down from the 61 finished last year. The backlog was slightly lower at \$16.2 billion from last years \$16.7 billion. **Bombardier** explained, “both business and commercial aircraft markets are still experiencing challenging conditions. The fundamentals are strong in the long term for both segments. **Bombardier**

Bombardier October 31, 2010 Orders & Deliveries

CRJ	Total Orders	Total Deliveries	Current Backlog
Challenger	33	33	-0-
CRJ1/2/440	1,021	1,021	-0-
CRJ700	344	315	29
CRJ900	262	237	25
CRJ1000	49	-0-	49
Total	1,709	1,606	103
CSeries	Total Orders	Total Deliveries	Current Backlog
CS100	33	-0-	33
CS300	57	-0-	57
Total	90	-0-	90
Dash 8	Total Orders	Total Deliveries	Current Backlog
Q100	299	299	-0-
Q200	105	105	-0-
Q300	267	267	-0-
Q400	389	322	67
Total	1,050	983	67

Bombardier delivered 9 CRJs and 10 Dash 8s this quarter.

Aerospace continues to invest in its product development and launched two new business jets, the Global 7000 and Global 8000 aircraft. Development of the C-Series aircraft program is on schedule and the CRJ1000 NextGen aircraft was certified by **Transport Canada** and the **European Aviation Safety Agency**.” The first CRJ1000s were delivered in December.

Engine News

Rolls-Royce will provide **Hawaiian Airlines** with Trent 700 engines for the six A330s that it ordered in November. The contract is worth \$420 million at list prices and includes a TotalCare long-term services agreement. **Hawaiian Airlines** already has three Trent 700-powered A330s in service.

Deutsche Lufthansa selected the CFM56-5B to power 21 A320s and two A321s that it ordered in September. The firm engine order is valued at approximately \$300 million at list prices. Nineteen of the A320s will be operated by **Lufthansa**. **Swiss International** will receive two A320s and the two A321s. They all are scheduled for delivery from 2013 through late 2014. **Lufthansa** and **Swiss** are part of the **Lufthansa Aviation Group**, and together they operate a fleet of 98 CFM-powered A319/A320/A321s and 41 CFM-engined A340-300s. **CFM International** is jointly owned by **SNECMA** and **GE**. It has delivered more than 21,500 engines to date. The CFM56-5B engine powers approximately 55 percent of all A320 aircraft in service or on order.

Airbus selected **CFM International**’s advanced LEAP-X engine as one of the engines for the A320neo—New Engine Option. The A320neo could enter commercial service by spring 2016. **Eric Bachelet**, CEO of **CFM International**, said, “This is a natural extension of the long and very successful relationship we have enjoyed with **Airbus** since the inception of the A320 Family program in the early 1980s.” **CFM** launched the totally new LEAP-X engine in 2008. The company held extensive discussions with potential customers, both airlines and leasing companies, to help define LEAP-X engine configuration. **CFM** said it was “receiving hardware for the build-up of eCore Demonstrator 2, which will begin testing in mid-2011. [The] eCore Demo 2 will feature a 10-stage high-pressure compressor and two-stage high-pressure turbine, along with the lean burn, low emissions TAPS combustor. **CFM** will run a third core configuration in 2012, just prior to the first full LEAP-X1C engine test in early 2013.”

The Engine Alliance celebrated the delivery of its 100th GP7200 engine to **Airbus** in November. The GP7200 powers the A380-860 aircraft, and the 100th engine will be installed on **Korean Air**’s first A380. That airplane will be delivered in May 2011. There are 19 GP7200-powered A380s in service. **Engine Alliance**’s launch customer **Emirates** began operating the aircraft in August 2008 and received its 15th A380 on November 30. **Emirates** is the largest A380 customer, having orders for 90. **Air France** entered service with the GP7200-powered A380 in late 2009. It received four A380s and has eight on order. The other GP7200 customers are **Korean Air**, **Etihad Airways**, **Air Austral** and **International Lease Finance Corporation**. The **Engine Alliance** is a 50/50 joint venture of **General Electric** and **Pratt & Whitney**. Program participants include **SNECMA**, **Techspace Aero** and **MTU Aero Engines** in Europe. **GE** manufactures the high pressure compressor, combustor and high pressure turbine. **P&W** builds the fan module, low pressure compressor and low pressure turbine and assembles the engines in Middletown, Connecticut.

CFM International delivered the 7,000th CFM56-7B engine to **Boeing Commercial Airplanes**. It was installed on the company's 3,500th Next-Generation 737. **COPA Airlines** will take delivery of the engine on a 737-800 this month. **Boeing** and **CFM** launched the 737 Classic in October, 1980 when they signed an agreement to make the CFM56-3 engine the exclusive powerplant for the 737-300, -400 and -500 series aircraft. By the end of production in 1999, the companies delivered 1,987 airplanes and 3,974 engines. **Boeing** originally forecast 400 sales. **Boeing** launched the Next-Generation 737 family in 1993 with the CFM56-7B on the wing. The advanced CFM56-7B offered 25 percent more thrust, 5 percent better fuel burn, and 15 percent lower maintenance costs, than the CFM56-3. The 737NG entered service in 1997 and **Boeing** has sold 5,594 and delivered 3,421 737NGs since then. **CFM** continues to improve the engine and now offers the CFM56-7BE which will lower fuel burn by 1 percent and maintenance costs by 4 percent. The aircraft/engine combination is scheduled for certification and delivery in the third quarter of 2011.

IAE—International Aero Engines sold 80 V2500 engines to **BOC Aviation** and **Vietnam Aircraft Leasing Company—VALC**. **BOC Aviation** ordered V2500 engines to power 25 A320 Family aircraft that it ordered in October. The A320 deliveries start in 2012. **BOC** has been a customer for the V2500 for more than a decade. It has taken delivery of 63 IAE-powered single-aisle Airbuses as of November. **Vietnam Aircraft Leasing Company—VALC** ordered 20 V2533-A5 engines to power 10 A321-200s that it ordered at **Farnborough Airshow** in July 2010. The contract is valued at more than \$184 million and the airplanes will be delivered in 2012 and 2013. The A321s will be leased to **Vietnam Airlines**. IAE is comprised of **Pratt & Whitney**, **Rolls-Royce**, **Japanese Aero Engines Corporation** and **MTU Aero Engines**. The company has sold or delivered nearly 6,500 V2500 engines to date.

China Eastern Airlines may cancel its order for 15 Boeing 787s due to the program's ongoing delays. A **China Eastern** spokesman said the airline would probably cancel and it was negotiating with **Boeing** about a replacement aircraft type. The press reports that **Boeing** may need to delay the first 787 delivery to **All Nippon** by six to nine more months, pushing the in-service date from the spring to late fall of 2011. **China Eastern** ordered its 787s in 2005 and its subsidiary, **Shanghai Airlines** ordered nine 787s. Those planes may be retained. **China Eastern** ordered 16 A330s in December 2009 for delivery from 2011 to 2014. It may order more A330s instead of buying 777s, which would be a big blow to **Boeing**.

Order Changes and Cancellations

Airbus Order Changes. **Volaris**, Mexico, exchanged two A319 orders for two A320 orders in November.

Boeing Changes. **Boeing** said it lost eight orders for 787 Dreamliners orders in November, but gained them back as a result of the **ALAFCO/Saudi Arabian Airlines** deal. The orders were essentially transferred from the former to the later, leaving the order book for 787s essentially the same. The Kuwait-based leasing company, **ALAFCO** sold eight 787s to **Saudi Arabian Airlines**, but the airline changed the model from the 787-8 to the larger 787-9. The 787-9s will be delivered in 2014 and 2015. In December, **Boeing** lost orders for eight 737s, three 777s and one 787. This brings **Boeing's** cancellations to 22 737s, 30 777s and 41 787s, for a total of 93 negative sales this year. The customers which cancelled orders were not identified. More than 50 customers have ordered 846 787 to date.

Leasing Companies

BOC Aviation Leases. It will lease of one new A320-200 to **LAN Airlines**. The A320 will be powered by **IAE 2527E-A5** engines and is scheduled for delivery in the first quarter of 2011. This is **BOC's** second lease to **LAN**. **BOC Aviation** will long-term lease three new 737-800s to **Copa Airlines**. The CFM56-7B26/3-powered aircraft are scheduled for delivery in the third quarter of 2011. This is **BOC's** first deal with Panama's flag carrier. **BOC Aviation** has a portfolio of 166 aircraft and another 66 aircraft on firm order. It will purchase and leaseback four jets with deliveries happening through to 2014. **BOC Aviation** said its average fleet age is less than four years. It said it sees lots of opportunity in Latin America.

DAE Capital, Dubai Aerospace Enterprise—**DAE's** aircraft leasing and financial business arm leased two 737-700 to **THY Turkish Airlines**. The aircraft will be operated by **THY's** subsidiary **Anadalu Jet** until March and April 2015 respectively. **DAE Capital** has 37 single-aisle and widebody aircraft in its fleet and is buying another 24. Fifteen of them will be purchased and leased back to airlines. **DAE Capital** ordered 92 A320s, 23 A350 XWBs, 66 737NGs, 15 747-8Fs and eight 777Fs. Its fleet portfolio will have an estimated market value of \$27 billion when the aircraft are delivered. The first new planes arrived this year.

AVIATION BUSINESS Airline News

BA/Iberia Merger Due in January. The two companies will merge under the umbrella of **International Airlines Group** in late January. **British Airways** and **Iberia** shareholders approved the merger by a huge margin in November. The new company will be the world's third-largest airline by revenue. It will continue to operate two hubs, one in London and the other in Madrid, under the former brand names. Shares in **International Airlines Group** will have a combined market value of around \$9 billion, and it will be listed in London and Madrid stock exchanges. **BA** will have 56 percent of **International Airlines Group** and **Iberia** will own the other 44 percent. The two-year merger negotiations were completed in June when **BA** worked out a plan to fund its £3.7 billion pension deficit. Three months later, **BA**, **Iberia** and **American Airlines** completed their long-delayed strategic alliance and can now cooperate on flights between Europe and North America. The merger is supposed to generate annual cost savings from its combined purchasing power on fuel, aircraft, IT and other products. This could be worth about €550 million a year through 2015. The new

Jackson Square Aviation—**JSA** closed a \$400 million secured credit facility, which provides the company with committed long-term debt capacity until 2018. **JSA** will acquire more fuel-efficient aircraft for lease to its airline customers. Approximately half of the facility will be used to finance aircraft which **JSA** owns or has contracted to purchase. The rest of the funds will allow **JSA** to buy and lease back next-generation, narrowbody aircraft from **Airbus** and **Boeing**. **DVB Bank SE** serves as the facility's agent, and each of **Credit Agricole CIB**, **BNP Paribas** and **KfW IPEX-Bank GmbH** have provided substantial commitments to the facility as joint arrangers and underwriters. **Jackson Square Aviation** is a full-service aircraft leasing company based in San Francisco. It has offices in Seattle, London, Miami, and Buenos Aires, and will open an Asian office in 2011. The management team of **Richard Wiley**, **Toby Bright** and **Scott Weiss** previously worked together at **Pegasus Aviation** and **Sky Holding**. **JSA** currently owns or has committed to purchase over \$1.5 billion in aircraft through 2012.

company should be able to compete on a more equal footing with the two European powerhouses, **Air France-KLM** and **Lufthansa Group**. The airlines are now looking at buying other airlines—probably in Asia. “I think we have a magnificent vehicle [for] consolidation,” **Iberia** Chairman **Antonio Vazquez** said, but they have not identified any potential partners. **BA’s Willie Walsh** will be CEO and Mr. **Vazquez** will be Chairman of **International Airlines Group**. The new company will be headquartered in London and will continue to fly 419 aircraft to 205 cities. It forecasts carrying 61.5 million passengers per year and will operate 1,700 daily flights. **International Airlines Group** will employ approximately 60,300 people and it expects revenues of €15 billion (\$19.72 billion) per year. There is very little overlap in the two airlines’ route systems. **Iberia** carries the largest share of the Europe-Latin America traffic and **BA** is the leading airline on North Atlantic routes and has strong Europe-Asia connections.

Alliances

Air India will formally join **Star Alliance** in mid 2011, after a lengthy integration process. The airline petitioned to join **Star** in December 2007, but integrating its IT—information technology system took several years to complete. **Air India** executive **Tridib Kumar Palit** said, “Early next year we’ll get the IT system done and after three to four months we should be in **Star Alliance**.” **SITA** is providing the new IT systems, which have to communicate seamlessly with the other alliance members’ systems. Mr. **Palit** said, “On other non-IT related things we’ve made very significant progress.”

Aerolineas Argentinas signed an agreement to join **SkyTeam** in 2012. The Argentine flag carrier will be **SkyTeam’s** first South American member. It will add 38 new cities to the network. **SkyTeam** said it wants to strengthen its presence in Latin America, which is showing strong growth. **SkyTeam** members, **Aeroméxico**, **Air Europa**, **Air France**, **Alitalia** and **Delta Air Lines** all fly to Buenos Aires. The alliance offers Argentinean travelers access to North America and Europe and connections to Africa, the Middle East and Asia. Through its hub in Buenos Aires, **Aerolíneas Argentinas** offers service to 38 cities in the southern half of South America.

Is Virgin Atlantic Airways Tired of Being Alone? Virgin Atlantic flies to 30 cities with 35 twin-aisle airplanes and it is not in any of the three big global alliances. Six months ago, CEO **Steve Ridgway** signaled it was interested in a merger by saying the airline could grow as “part of a bigger group.” Since then it received expression of interest from several parties, including **Delta Air Lines**. **Virgin** hired **Deutsche Bank AG** to look at its options as a response to the trans-Atlantic tie up of **American**, **BA** and **Iberia**. **Virgin** is 49 percent owned by **Singapore Airlines**, which may have to sell all or part of its shares to make a **Virgin** merger work. **Singapore** is a member of the **Star Alliance**, which competes with **SkyTeam**. That could negate a deal with **Delta**. The consensus of opinion, expressed by **Andrew Miller**, CEO of **CAPA Consulting** is that “**Virgin Atlantic** has got to be in some sort of alliance to get critical marketing mass. Doing it alone is going to be difficult.” **IATA** forecast things are going to be more difficult next year and said, “Airline earnings may drop 40 percent next year on slower economic growth, higher fuel costs and state austerity measures.” A tie-up with **Virgin** will help **Delta** and **SkyTeam** increase its services at London’s **Heathrow Airport**. **SkyTeam** does not have a U.K. member, while **oneworld** and **Star Alliance** are represented by **BA** and **BMI** respectively. **Virgin** is replacing older four-engined aircraft with 10 A330s—due in 2011, 15 787 Dreamliners—due after 2014 and six A380s due in 2015.

Garuda Indonesia agreed to join the **SkyTeam** alliance in 2012. The Indonesian flag carrier will expand **SkyTeam's** presence in Southeast Asia by adding 30 new destinations to the alliance network. Indonesia has the largest economy in Southeast Asia and has a fast-growing airline market. Some of the 30 new cities are Surabaya in East Java, Medan in North Sumatra and Perth in Australia. **Garuda** already co-operates extensively with other **SkyTeam** partners **Korean Air, Vietnam Airlines, China Southern** and **China Airlines** through codeshare agreements.

Shanghai Airlines will become part of **SkyTeam** under the umbrella of its parent company, **China Eastern Airlines**. **China Eastern** and **Shanghai Airlines** merged in February 2009 and in June 2010 **China Eastern** signed an agreement to join **SkyTeam**. Both Shanghai-based airlines are scheduled to join the alliance in 2011 and will add 32 new cities to the **SkyTeam** network.

Technical

Jet Aviation Basel signed a completion contract to install a VVIP interior in a Boeing 747-8I. The work will be done for an undisclosed Middle Eastern client. The company will also design the cabin interior. The 747 will be completed within 24 months of its delivery in early 2012. **Boeing** has sold eight VIP 747-8Is and this is the first one to be scheduled for fitting with a VVIP cabin.

Cargo Pallet

Aeronautical Engineers—AEI will provide one 9 pallet 737-300SF to an undisclosed customer. The 1988-model plane is currently undergoing the passenger to freighter modification and heavy maintenance at **AEI's** authorized conversion center, **Commercial Jet** in Miami, Florida.

Military Market

The Brazilian Air Force is expected to order two A330MRTT tanker/transport and to option a third. The **Air Force** was going to request at least three bids—from **Boeing, Airbus** and **IAI Bedek Aviation**, but Brazilian President **Luiz Inácio Lula da Silva** wanted a deal finalized this month. One of the A330s will be fitted with a removable VIP interior so that it can be used to transport the president. The A330MRTTs will replace four Boeing KC-137 (707) tanker/transport. The 707s proved to be unreliable recently so the president sped up the acquisition process. Also the president

The U.S. and Brazil are slowly moving toward an open-skies aviation agreement that could come into effect by October 2015. The **Open Skies** will remove restrictions on the number of flights in what is developing into the largest Latin American markets. The deal will loosen restrictions on flights starting in October 2011. It would open access to Sao Paulo and Rio de Janeiro in stages and be completed in time for the **Summer Olympics** in Rio in 2016. Right now the three largest regulated air travel markets are Brazil, China and Russia; the U.S. has signed open-skies agreements with more than 100 other countries. The treaties allow airlines to pick international routes and provide for cooperation on safety and security matters. The **U.S. Department of Justice** grants airline alliance partners with antitrust immunity to cooperate on schedules, fares and marketing. Once the treaty is signed, the Brazilians hope ticket prices will fall which will stimulate passenger traffic and require more routes between Brazilian and U.S. cities. Four U.S. airlines, **American Airlines, Continental/United Airlines, Delta Air Lines** and **U.S. Airways** fly to Brazil while **TAM S.A.**, is the only Brazilian airline to fly to the U.S.. **TAM** has about 30 percent of the market.

wanted a larger and longer-range aircraft than Brazil's 2005-model A319 ACJ.

Xi'an Aircraft Company MA60 Sales Picking Up. The **Ecuadorian Government** is negotiating to purchase two MA60H-500 transports for its air force. The order will include options for two aircraft. The deal could be worth nearly \$38 million (\$19 million each). The MA60s will replace three **British Aerospace HS748s** that the **Ecuadorian Air Force** bought from the **Brazilian Air Force**. The **Lao Government** ordered two MA60s in November. The MA60 is a much-improved, Chinese-designed version of the **Antonov An-24**. The comparable **EADS-CASA C-295** costs approximately \$22 million each, while the **Lockheed Martin-Alenia C-27J** is priced at €33 million each.

The **Peruvian Defense Ministry** signed a contract to buy 12 **Viking Air DHC-6-600 Twin Otters** for the air force. The dozen new-model Twin Otters are valued at \$67 million (\$5.58 million each) and they will be delivered between July 2011 and 2014. The aircraft are being purchased through the **Canadian Trade Corporation** and will be used for transport and surveillance in Peru's Amazonian region. The **Peruvian Air Force** already operates six 1969-73-model DHC-6-300s. This is **Viking Air's** second military order since re-launching the venerable utility plane in June 2009. The **Vietnamese Navy** ordered six DHC-6-400-series Twin Otter floatplanes for delivery between 2012 and 2014. The DHC-6-600 designation is a bit of a mystery since **Viking Air** does not mention the type in its literature.

Lockheed Martin. The **Republic of Korea** signed a contract for four C-130J Super Hercules. The Super Hercules is the stretched fuselage combat delivery variant. The planes will be delivered in 2014 and the contract contains a two-year support and aircrew/maintenance training program. Korea is the 15th nation to select the proven C-130J. **Lockheed Martin** is delivering the first of six C-130Js to another recent customer, India, in December. The second and third aircraft are due for delivery in early 2011.

AIRCRAFT DELIVERIES & SALES

Jet Aircraft

A318 & A319. **Jet Alliance**, Austria took delivery of A318-112CJ Elite SN 4503. The manufacturer completed two A318s this year. Another nine Elites are on backlog. **Airbus** delivered only two A319s in November, including -112 SN 4511 to **Lufthansa**. **Hainan Airlines** leased -133 SN 4522 to **Capital Airlines**, China.

Amentum Capital purchased five A319s from **easyJet** and leased them back to the airline. The A319s were added to **Global Aviation Fund I**. **Amentum** was founded in 2005 as **HSH Nordbank's** boutique, full-service, global aircraft leasing company which offers a broad range of asset management and aviation advisory services to the airline industry and investment community, the company said. **Amentum Capital** is the exclusive re-marketing agent for **HSH Nordbank Group**, which has an aircraft finance portfolio of 750 aircraft worth over \$8 billion. **Amentum** is also the investment adviser and asset manager for the **Global Aviation Fund I**, which is a \$1.2 billion closed-end fund that has invested in 23 aircraft.

A320. Airbus delivered 28 A320s last month, including three -232s SN 4481, 4506 & 4518 to **Indigo**. The Indian low-cost carrier leased another -214 from **GECAS** in December. **Hainan Airlines** leased three new -232s SN 4471, 4483 & 4505 to **Capital Airlines**, China. **Capital** was known as **Deer Jet** until September 30, 2010. Elsewhere in China, **Airbus** delivered -232 SN 4474 to **Shenzhen Airlines**, -232 SN 4424 to **Sichuan Airlines** and **Airbus** FALC-built -214 SN 4362 to **China Southern**. In Southeast Asia, **Indonesia Air Asia** accepted two -216s SN 4477 & 4486 and **Tiger Airways** received three -232s SN 4469, 4491 & 4493. **Philippine Airlines** took delivery of -214 SN 4504 and leased -214 SN 4512 from **GECAS**. Both new A320s are operated by **Airphil Express**. **Airphil** leased another -214 from **GECAS** in December. **BOC Aviation** leased two -232s SN 4495 & 4497 to **Jetstar**. In Africa, **Libyan Airlines** accepted the third of seven -214s SN 4490 and **Afriqiyah Airways** received its sixth -214 SN 4489. The airline has five more on order. In the Middle East, **ALAFCO** leased -214 SN 4484 to **Saudi Arabian Airlines** and **Qatar Airways** took delivery of two -232s SN 4479 & 4496. The airline operates 17 A320s. In the Americas, **LAN Airlines** took delivery of two -233s SN 4509 & 4516 and **Avianca** leased new -214 SN 4487 to **Aerogal**, Ecuador. This is **Aerogal's** second A320. In Europe, **Aeroflot** leased -214 SN 4498 from **BOC Aviation** and **Air Berlin** accepted -214 SN 4478.

GECAS Repossessed 10 A318s from **Mexicana** and leased them to **Avianca**, Colombia. The airplanes will be re-delivered to **Avianca** in 2011 and will partially replace 15 Fokker 100s on domestic routes. The flag carrier already operates a fleet of six A319s and 18 A320s and has nine A319s and 13 A320s on order. The airline is also acquiring 10 used A320 family aircraft from the second-hand market. Lessors have remarketed most of **Mexicana's** 41 **Airbus** narrowbodies. **AerCap** placed five A320s with operators in North America. **Mexicana** will restart operations with nine owned A320s. The airline's new owners want to operate an all-A320 fleet of 30 aircraft.

A321. Only one A321 was delivered in November; -213 SN 4494 to **Air China**.

A330. Airbus delivered eight A330s in November, including -223 SN 1054 to **Hong Kong Airlines**. **Aircastle Advisors** leased -243F SN 1062 to **Hong Kong Airlines**, the airline's second -200F. **AWAS** leased its second A330-243 SN 1171 to **Hawaiian Airlines** in November. This is **Hawaiian's** third A330. **CIT Leasing** leased -202 SN 1169 to **Qantas**. **Turkish Airlines** accepted two -343Es SN 1170 & 1172. The airline now has eight -200s, one -200F and five -300s in service. **Etihad Airways** received -343 SN 1167. **Guggenheim Aviation Partners** leased -302 SN 1177 to **China Airlines**, the airline's 19th A330. **AirAsia X** took delivery of -343E SN 1165. **Finnair** accepted its eighth -302E SN 1173.

A380. Airbus delivered two -861s SN 056 & 057 to **Emirates**. The Gulf-based power-house now operates 15 **Engine Alliance** GP7200-powered A380s. It has another 75 more on order. **Airbus** plans to deliver the first VIP A380 to **Prince Al Waleed Bin Talal** in the second half of 2011. The Prince ordered the A380 three years ago. An interior completion company has not been chosen. **Airbus** said only a few companies are large enough to work on an A380. They include **Jet Aviation**, **AMAC Aerospace** and **Lufthansa Technik**. **Airbus** sees a market for around 30 VIP A380s with most of them going to Middle Eastern operators. The next available VIP A380 delivery slot is in the middle of the decade.

Doric Nimrod Air One will buy A380 SN 016 from **Emirates** for \$180 million and lease it back for 12 years. **Doric** is setting up an investment vehicle and listing it on the **London Stock Exchange**. **Doric** financed eight other A380s for **Emirates** and **Singapore Airlines** through unquoted private partnerships set up in Germany. This will be the first financing to be listed on a regulated stock exchange. Investors will be paid out from the A380's residual value when the aircraft is sold after the lease expires in 2022. The company raised £39.5 million through the sale of 39.5 million shares. **Doric** turned to **Westpac Bank Australia** to finance the rest of the debt. Investors will get 2.25p per £1 share per quarter, which will amount to a compounded annualized yield of about 9 percent. The lease will be paid in two currencies and the rate is £4.3 million plus \$15 million per year.

Boeing 737NG. **Boeing** delivered 27 737s in November. This was eight short of the mark set in October. **American Airlines** took four -823/Ws SN 29555, 30905, 31109 & 40583 for a fleet total of 150 -800s. The other big recipient was **GECAS**, which accepted four -86N/Ws. It leased two -86N/Ws SN 36807 & 37888 to **Shanghai Airlines** and SN 36806 to **China United**. In the Americas, **Delta Air Lines** received -8FZ/W SN 33440 and sold it to **Babcock & Brown** for lease to **Skymark Airlines**. **Southwest Airlines** took delivery of -7H4/W SN 36667 after a three month hiatus in its fleet growth. **Southwest** now operates 353 -700s and it has another 106 on order. **Boeing Business Jet** accepted the 102nd -700/W-BBJ. There are 12 more on order. **GOL Airlines** received two -8EH/Ws SN 35836 & 37596 for a total of 55. It has 99 more on order. **COPA Airlines** accepted two -8V3/Ws SN 40890 & 40891 and has 43 in backlog. **Aviation Capital Group** leased -8CT/W SN 36435 to **Westjet**. In the Middle East, **FlyDubai** took delivery of two -8KN/Ws SN 40238 & 40239. **ALAFCO** leased two -8HO/Ws SN 37936 & 37937 to **Ethiopian Airlines**. **Boeing** delivered two -800s to North African airlines, the 14th -86D/W SN 40860 to **Air Algérie** and the 15th -866/W SN 40759 to **Egyptair**. The Egyptian flag carrier has five more on order. Only one 737 was delivered to a European airline – a -8K5/W SN 37238 to **Jetairfly**, Belgium. It was leased from **TUI Travel PLC**. In Turkey, **SunExpress Airlines** accepted -8HC/W SN 40756. **Boeing** delivered three 737s to East Asian airlines, including -846/W SN 40348 to **JAL International/JAL Express**, -881/W SN 33902 to **All Nippon/Air Nippon ANK** and -8H6/W SN 40129 to **Malaysia Airlines**.

A380 Deliveries Fall Short.

Airbus intended to deliver 20 A380s in 2010, but was foiled by problems with suppliers. The manufacturer delivered its 18th A380 this year—to **Qantas** in mid-December. Another **Qantas** A380 is sitting on the ramp. It may be stalled by production line disruptions after a **Qantas** A380 Trent 900 engine exploded in flight. **Singapore Airlines** 12th A380 was delayed after **Koito Industries** failed to deliver business-class seats on time. The plane will be completed before the end of March. An undisclosed airline is waiting to finalize the financing of its jet, which was to be **Airbus'** 20th delivery in 2010. **Airbus** actually exceeded its goal and completed 22 A380s this year. Two **Qantas** -842s SN 047 & 055 are parked at Toulouse, while four -861s — **Korean Air's** SN 035, **Lufthansa's** SN 069, **Singapore's** SN 079 and an unidentified customer's SN 064 are at the Hamburg completion center. **Airbus** CEO **Tom Enders** told employees that the A380 superjumbo still faces "significant challenges going forward." The five airlines that operate the A380, **Air France**, **Emirates**, **Lufthansa**, **Qantas** and **Singapore** will receive more planes in 2011, as will two new customers, **China Southern Airlines** and **Korean Air**. The latter is scheduled to take five A380s next year.

GECAS delivered three new 737-86N/Ws SN 36805, 37885 & 37887 to **Garuda Airlines** in October and November. The aircraft come from **GECAS'** existing order book. **Garuda** now leases 16 aircraft from the lessor. The Indonesian flag airline operates 87 aircraft to more than 50 destinations.

Norwegian Air Shuttle sold and leased-back four 737-800s that will be delivered during the first quarter of 2011. The deals are part of the company's long term strategy to diversify the financing of the 63 737s it has on order, the company said.

Boeing 747. **Baltia Air Lines** purchased a long-range 747-251B passenger aircraft from **Kalitta Air**. It was operated by **Northwest Airlines**. **Baltia** also owns -282B SN 21035.

Boeing 767. **All Nippon Airways** took delivery of -381ER SN 40565 in November. The airline has seven more on order.

Boeing 777. **Boeing** delivered six 777s in November, including the first VIP 777-2KQLR SN 40753 to **Boeing Business Jets** for re-delivery to **Aviation Link**, an aircraft management company based in Jeddah, Saudi Arabia. **Aviation Link** provides airplane management services for VIP customers in the Middle East. Services include the purchase, interior design and completion of the airplane, as well as operational and maintenance management. The company manages 13 airplanes, including two VIP 777s. **Amac Aerospace**, Basel, Switzerland will start to install the executive interior this month. An undisclosed private owner in the Middle East will take delivery of the 777 when the VIP cabin is completed in 2012. As stated in the November *Newsletter*, **Ethiopian Airlines** received its first -260LR SN 40770. The airplane is the 900th 777 to be delivered. The airline ordered five 777s in 2009. **Ethiopian Airlines** ordered its first **Boeing** planes—three 720-060Bs in 1960. Today, the airline operates an all-**Boeing** fleet of 10 737s, 10 757s, 11 767s and two MD-11s in passenger and cargo configuration. **THY—Turkish Airlines** accepted its third -3F2ER SN 40791 this year. It has two more due in December. **V Australia** received its fourth -3ZGER SN 37943 that it ordered in March 2007. The airline leases a fifth 777. **Deucalion Capital VII Limited** took delivery of 777-FZN freighter SN 36200 and leased it to **Aerologic**. The airline operates eight leased 777Fs. **GECAS** took delivery of its 26th -36NER SN 38287 and leased it to **British Airways**. The lessor has five more on order.

Air France took delivery of its 200th **Boeing** aircraft on December 9. The 777-328ER SN 35544 is the 58th 777 in the **Air France** fleet, including 25 777-200s, 31 -300s and two 777Fs. The airline has one 777F and 11 777-300ERs on order. The 777F will arrive in 2011 and the last of the 777s are due in 2015. **Air France's** first **Boeing** jet—a 707-328 was delivered in October 1959. It eventually bought 38 707s in three versions. The airline has taken delivery of 29 727s, 31 737s, 53 747s and three 767s. It was a launch customer for the 747; ordering the first 747-128 in 1966. **Air France** ordered its first 777-200ERs in 1996 and was a launch customer for the 777-300ER in 2000 and for the 777 Freighter in 2005.

Air India dropped plans to lease out six long-range 777s for now but may decide to shed part of its 777 fleet once it takes delivery of some Boeing 787s. In May, **Air India** intended to sublease six of its eight 777-200LRs and 12 777-300ERs to **Air Canada**, **Austral**, and **Thai Airways International**. The leases were scrubbed because the Indian flag carrier was not "getting offers which were actually offsetting the financing cost of the aircraft," **Air India's** executive director planning **Tridib Kumar Palit** said. Further, he explained, six of these 777-200LRs are now being used "sub-economically" on medium-haul

routes to Europe and North Asia. **Air India** will replace some 777s with new 787s, which will allow the airline to dispose of the bigger jets. **Air India** has three more 777s and 27 787s on order for delivery starting next June. Once the 787s arrive in significant numbers then **AI** can retire the 777LRs, **Mr. Palit** said. Conversely, **Air India** may launch new ultra-long-range routes to the U.S. with its excess 777-200LRs.

Bombardier delivered one CRJ1000 NextGen regional jet to each of its launch customers, **Air Nostrum**, Spain, and **Brit Air**, France, during a celebration at **Bombardier's** Mirabel, Québec facility on December 14. **Air Nostrum** has been a **Bombardier** customer since 1998. It ordered 35 CRJ1000s and 46 other CRJ Series regional jets, as well as 19 Q-Series turboprops. **Brit Air** bought its first regional jet in 1994 and has ordered 49 CRJ Series since then. **Brit Air** helped to launch the CRJ700 regional jet. It ordered 14 of the new CRJ1000s and plans to replace its Fokker 100s with them. The CRJ1000s offer 10 percent lower operating costs and are 20 percent more fuel efficient than the F.100s. The **Export Development Canada—EDC** helped to fund **Air Nostrum's** and **Brit Air's** new planes.

In November, **Bombardier** delivered CRJ702ER SN 10315 to **American Eagle**. The prior month, **Dow Chemical** leased new CRJ702 SN 10314 from **RBS Asset Finance**. **Pluna** took delivery of CRJ900LR SN 15329 in October.

Embraer delivered ERJ-135LR SN 14501225 to the **Royal Thai Navy**. **Fuji Dream Airlines** took delivery of two EMBRAER 170-100s SN 17000129 & 17000317. **J-Air** received SN 17000315. **Jetscape** leased SN 17000316 to **Royal Jordanian**. **Saudi Aramco** is a new EMBRAER 170 jet operator and took delivery of SN 17000318 in November. It will take a second E-170 by year-end. **Embraer** delivered two EMBRAER 190-100 IGWs SN 1900389 & 19000390 in November. **BA Cityflyers** received SN 19000392 and **TACA** leased SN 19000393 from **First Security Bank**. **JetBlue** accepted SN 19000388 in October. **Embraer** delivered the first of two ultra-large Lineage 1000 executive jets to Abu Dhabi-based VIP charter company **Falcon Aviation Services**. The orders were placed at the **Dubai Airshow** in November 2007. The aircraft is certified for up to 19 passengers in five distinct cabin zones.

Spanair will retire its MD-80 fleet by the first quarter of 2012 and intends to lease more A320 Family aircraft to replace its four 717s. **Spanair** operates 19 A320s, five A321s, four MD-80s, three MD-87s and four 717s. The 717s are subleased from the airline's former owner **SAS** and will be operated by **SAS** subsidiary **Blue 1**. The Spanish airline was purchased by a group of Catalan investors in early 2009 and it is shedding all but its **Airbus** narrowbodies. **Spanair** retired 10 MD-80s over the last two years. Many of its MD-87s were sold to **Allegiant Air**.

Turboprops

ATR delivered four ATR 72-500s SN 919, 920, 924 & 928 to **Jet Airways** in November. The Indian airline received SN 932 & 933 in December. Numerous ATR 72s are sitting on the ramp at Toulouse awaiting delivery to customers.

Bombardier delivered the thousandth Dash 8/Q-Series aircraft – Q400 NextGen airliner SN 4338 — to **Pinnacle Airlines**. **Olympic Air** leased new Q400NG SN 4321 from **MIG Aviation**. **Colgan Air** accepted SN 4333 and **Wideroe's Flyveselskap** received SN 4337. **AirBaltic** sold and leased-back its

three Q400 NextGens. It will sell and leaseback the next five aircraft to be delivered in the coming few months. **Nordic Aviation Capital A/S—NAC** bought all eight Q400NGs, which are list priced at \$212 million. **Nordic Aviation Capital** also purchased and leased back four Q400s SN 4119, 4124, 4129 & 4137 with **AIRES S.A.**, Colombia. The airline recently purchased the Q400s from **Jeju Air**, South Korea.

Dornier. **RUAG** handed over the second new Dornier 228NG regional turboprop SN 8301 to **Lufttransport**, Norway, at a ceremony at its Oberpfaffenhofen, Bavaria, plant. **Lufttransport** will operate the 228NG from Longyearben, on the Spitsbergen archipelago north of the Arctic Circle, to several remote unpaved airfields on the islands. **RUAG** said the airline will fly passengers and cargo to these remote outposts for the **Norwegian Coastguard**, the **Kings Bay** polar research company and a Norwegian coal mining company. **Lufttransport** is based at Tromso and operates two original Do 228s. **New Central Aviation**, Japan took delivery of the first new-generation Do 228 SN 8301 in October.

AVIC. **Merpati Nusantara** is now able to finance its backlog of 13 new **Xi'an Aircraft Company** MA60 turboprops. The airline ordered 15 MA60s in 2006 and took delivery of two in August 2007 before the financial market collapsed. The airline made a deal with the **Export-Import Bank of China** and the **Indonesian Government**. The bank will pay **Xi'an** for the airplanes and in five years, the Indonesian government will repay the bank using funds from state-owned **Merpati**. **Xi'an** delivered seven aircraft by mid-December. The other six MA-60s will be in service by March 2011. **AVIC** said **Merpati** has bought more MA60s than any other customer.

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Antiques and Other Junque

Sad End for Pan Am's Number 1 747. The first commercial 747-121 SN 19639, and the second off the production line was delivered to **Pan American World Airways** in March 1970 and originally named **Clipper America**. It was renamed **Clipper Juan T. Trippe** in June 1981 and was retired by **Pan Am** in 1991. After being passed around between third-world airlines and leasing companies, the bedraggled 747 was purchased in 2000 by a South Korean couple for \$1 million. The airplane was dismantled and shipped by sea to South Korea at a cost of \$100,000. The 747 was re-assembled, painted a pastel blue and converted into an aviation-themed restaurant, near Seoul. The business failed in 2005 and the plane deteriorated. The owners were not able to find a buyer for this historic 41-year-old plane so it was scrapped in December. The owners talked with several potential buyers, including Japanese businessmen who wanted to display the Clipper in Tokyo, and a religious group that wanted to turn it into a church. The deals fell through and the only offer the owners got was from the recyclers. The restaurant owner summed up the experience of owning a 747, "There's nothing about this plane I really want to remember. It was a disaster."

Accidents and Safety

From Aviation Safety Foundation

Dagestan Airlines lost Tupolev 154M RA-85744, SN 92A-927 when it crashed on landing at **Moskva-Domodovovo Airport** on December 4. Two of the 160 passengers were killed. The airplane took off from **Vnukovo Airport** and reached 9,100 feet in altitude when two engines failed. The pilot was able to fly with only the center engine and diverted to the nearest airport. The airplane landed halfway down the runway and over ran the end. It hit a earthen bank and broke into three pieces. Russia's **Interstate Aviation Committee's** investigation showed that the fuel supply to all three engines fluctuated, causing two of them to shut down. The reasons for the fluctuations is not yet known. The fuel met required regulatory standards. The flight recorders were recovered.

Kaya Airlines Beechcraft 1900C C9-AUO crashed near **Maputo International Airport**, Mozambique on December 3. The airplane landed short of the runway. All 12 passengers and five crew members survived.

Tara Air de Havilland Canada DHC-6 Twin Otter 310 9N-AFX, SN 806 crashed into Palunge Hill, Nepal during a domestic flight from **Lamidanda Airport** to **Kathmandu-Tribhuvan Airport**. The three crew and 19 passengers were killed.

Judicial Over Reach? Continental Airlines was found guilty of manslaughter relating to 113 deaths in the **Air France** Concorde crash at Paris in July 25, 2000. The airline was ordered to pay €1.2 million (\$1.6 million) in damages and fines. French judge **Dominique Andreassier** said there was an "incontestable link" between the "negligence" of **Continental** and the fiery crash of the supersonic jet. According to the court, a piece of titanium fell off a **Continental** DC-10. The metal cut one of the Concorde's tires, which burst and drove chunks of rubber into the fuel tanks. The fuel spilled out, caught fire and took the plane down shortly after take off. The court also convicted **Continental** mechanic **John Taylor** for the "crime" of installing the strip of titanium on the DC-10 instead of an aluminum strip, as specified. He received a 15-month suspended sentence and a €2,000 fine. **Continental** must pay a €200,000 fine and €1 million to **Air France-KLM Group**, which operated the **Concorde**. **Continental** called the verdict "absurd" and said "to find that any crime was committed in this tragic accident is not supported either by the evidence at trial or by aviation authorities and experts." The airline's lawyer, **Olivier Metzner** said it would appeal and claimed, "It is a political decision, a decision that suits all the French parties." **EADS** was also held civilly liable due to "a missed opportunity" to address the risk that a tire burst would have on the wing skin of the Concorde. In spite of seven tire bursts between 1979 and 1993 which severely damaged Concorde, the aircraft wings were not shielded and they continued to fly.

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- Airbus A320-100
- Airbus A320-200
- Airbus A321-100
- Airbus A321-200
- Airbus A330-200
- Airbus A330-300
- Airbus A340-200
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Picture



Selected: Airbus A340-300

Description: Widebody 4 Engine Passenger

Manufactured: 1992 To 2006

Values: \$54.00m \$118.00m

Estimated Life: 35 years File No. 013

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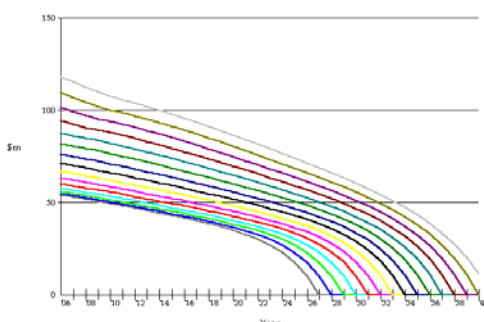
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Aircraft: Airbus A340-300 - Widebody 4 Engine Passenger

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	4
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	6,913,747	6,916,436	6,916,177	6,912,945	6
Landing Fees		3,021,823	Profit & Loss Report				
Enroute Charges		392,440	Aircraft Type		Airbus A340-300		
Pax Commissions		7,399,313	Period		1	2	
Freight Commissions		1,331,876	FIXED EXPENSES				
Food & Supplies		3,999,194	Station Overhead				
Passenger Liability Insurance		379,590	Maintenance Burden				
TOTAL VARIABLE COST		23,443,212	Other Overhead				
SEMI-VARIABLE EXPENSES			TOTAL FIXED COST				
Crew Salaries & Expenses		5,177,760	TOTAL OPERATING COST				
Maintenance & Engineering		587,650	General and Admin. Allocation				

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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