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WORLDWIDE AVIATION MARKETING AND MANAGEMENT SERVICE

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Newsletter

Market Comment

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The U.S. Department of Justice (DOJ) blocked the proposed merger of **US Airways** and **American Airlines**. **Bill Baer**, assistant attorney general of the DOJ's anti-trust division said, "The department sued to block this merger because it would eliminate competition between **US Airways** and **American** and put consumers at risk of higher prices and reduced service." The district attorneys from Arizona, Florida, Pennsylvania, Tennessee, Texas, Virginia and Washington DC also filed suit to stop the merger in the **US District Court for the District of Columbia**. The **DOJ** is concerned that the mega-carrier would control 69 percent of the slots at **National Airport** and that this was an example of the concentration of routes along the East Coast that would result from the merger. The suit claims that fares in the Washington area would increase and that there would be less air service after the merger. Mr. **Baer** claimed, "Both airlines have stated they can succeed on a standalone basis and consumers deserve the benefit of that continuing competitive dynamic." The airline CEOs, **Doug Parker** at **US Airways** and **American's Tom Horton**, both said their airlines could succeed without the merger, statements that are being used against them.

The merger was supposed to be completed by the end of the third quarter, had the **DOJ** approved it. **American's** bankruptcy reorganization plan was based on the proposed merger and the emergence from bankruptcy is now stalled while the airlines challenge the **DOJ** in court. Mr. **Horton** said, "We and **US Airways** will vigorously defend our position. While we do not yet know how long the court process will run, it will likely take a few months." Mr. **Parker** added "We are confident that by combining **American** and **US Airways** we are enhancing competition, providing better service to our customers and improving the industry as a whole." The **DOJ** concluded the merger would reduce competition, and that more than 80 percent of domestic air traffic would be controlled by the four biggest carriers, resulting in higher airfares and less service. The **European Commission (EC)** did not see much of a problem. Their approval was contingent on the merged airline releasing one slot pair at **London Heathrow Airport** for a new flight to Philadelphia. **American's** creditors approved the airline's bankruptcy reorganization plan in late July and **US Airways** shareholders approved the merger in mid-July.

The **DOJ** suddenly re-discovered anti-trust. U.S. Attorney General **Eric Holder** said, "This transaction would result in consumers paying the price – in higher airfares, higher fees and fewer choices. Today's action

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proves our determination to fight for the best interests of consumers by ensuring robust competition in the marketplace.” The **DOJ** approved the **Delta-Northwest** merger in 2008, creating the world’s largest airline, and the **United-Continental** merger in 2010, again creating the world’s largest airline. Now it blocks the combination of the third and fifth largest U.S. airlines into a new world’s number one airline in terms of traffic. The merger is valued at \$11 billion and would leave the top four domestic airlines in control of 80 percent of traffic. At this time, the top five airlines control the vast majority of domestic air service and two of them, **American** and **US Airways**, have very little overlap in their routes, except along the Northeast corridor between Boston and Washington. Rather than block the whole merger (which benefits **American’s** creditors, **US Airways’** stockholders and the airline industry), the **DOJ** should try to mitigate the impact of the merger on the consumers. It could easily require the newly formed **American Airlines Group** to divest of some routes, landing slots and airport gates to smaller competitors, such as **JetBlue**, **Spirit Airlines** or **Virgin America**. One of the barriers to competition is not market dominance, but a shortage of access to airport gates and slots at major cities. If the two airlines do not merge, they will be weak competitors, unable to expand, buy new airplanes or earn a profit. They may be tempted to launch fare wars to poach traffic, which is good for consumers in the short term and bad for them in the long run. Four profitable top-tier airlines is better than five insolvent carriers, like we had in the previous decade. Last year, the **DOJ** could have stopped the merger in its infancy, but chose to throw a monkey wrench into the wheels of progress very late in the process. The merger will be very expensive to unwind and will cost **American** employee jobs or further wage concessions. It would be better if the **DOJ** approved the merger with the imposition of conditions, like the **EC** did, than to block it completely.

Airbus Orders

Airbus Sold 174 New Aircraft in July, and the sales raised the manufacturer’s backlog to a record high of 5,227, a new industry milestone (**Boeing’s** backlog is 4,788). The backlog represents more than seven years of production. At the end of the month, total orders stood at 13,204, of which 9,812 were for the single-aisle A320 Family. **Airbus** said it won 932 gross aircraft orders in the first seven months. Net orders, including 40 cancellations, reached a total of 892. During July, **easyJet** confirmed its commitment to buy 35 standard A320s and 100 A320neo (new

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engine option) jetliners. **EasyJet** is already the largest A320 Family customer and operator in Europe. International leasing company customers ordered three A319s and 20 A321s. **ILFC** bought 15 A321ceo aircraft and **CIT Aerospace** contracted for three A319ceo and five A321ceo jets. A new Tunisian airline became the first African-based carrier to order the neo. **Syphax Airlines** bought three A320neo and three A320ceo jetliners. The provisional order was announced at **Paris Air Show**. At the end of July 2013, firm orders for the A320neo Family stood at 2,348 from 42 customers, making it the fastest selling commercial airliner ever and underlines its market leadership position with close to a 60 percent market share, **Airbus** said. **Nepal Airlines Corporation** booked two A320ceo aircraft equipped with Sharklet fuel-saving wingtip devices. Completing **Airbus'** single-aisle sales in July, an unnamed corporate customer bought an ACJ320 corporate jet. **SriLankan Airlines** firmed up the agreement to buy four A350-900s it made at **Paris**, and became a new A350 XWB customer. Three A330-300s were ordered by **Turkish Airlines**, which exercised options taken earlier this year.

Airbus Orders, Deliveries and Backlog July 2013

JUL ORD	JUL DEL	JUL CANX	TOTAL ORD	TOTAL DEL	BACK LOG
			A318		
-0-	-0-	-0-	79	79	-0-
			A319		
3	3	-0-	1,524	1,374	150
			A320		
144	32	-3	6,433	3,395	3,038
			A321		
20	7	-1	1,776	829	947
			A330		
3	9	-0-	1,255	1,001	254
			A350		
4	-0-	-0-	682	-0-	682
			A380		
-0-	1	-0-	262	106	156
This Month			This Year		BL
174	52	-4	892	347	5,227

Airbus sold 13,204 aircraft and delivered 7,977 as of July 31, 2013. Forty orders have been cancelled. Total orders, deliveries and backlog include cancellations and order changes. Airbus expects to deliver from 600 to 610 aircraft in 2013.

Airbus Delivered 52 Jetliners during June, comprising of 42 A320 Family aircraft, nine A330s, and one A380, which brought total deliveries for 2013 to 347 aircraft to 79 customers. The manufacturer delivered the first of 12 A380s to **British Airways**, making it the 10th carrier to receive the super jumbo jetliner. **American Airlines** received its first **Airbus** narrowbody, which was also the first A319 delivered with Sharklets. **Cathay Pacific** accepted the 1,000th A330-series jetliner to be delivered.

Airbus Raised its 2013 Order Target by 25 percent in late July – to more than 1,000 commercial aircraft. Last year, gross orders totaled 914 airliners and 2012 net orders dropped to 833 after 81 cancellations. So far this year, **Airbus** has won 932 gross aircraft orders beating its 2012 tally and bringing it closer to its new full-year target of more than 1,000 passenger jet orders. Industry sources forecast that **Airbus** could reach 1,200 orders this year. The company is striving to retake the leadership

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of the \$100 billion annual jet market from **Boeing**, which held the top spot last year. In 2012, **Boeing** won net orders for 880 commercial and military aircraft.

Airbus Delivered its 8,000th Aircraft in August – an A320 to **Indonesia AirAsia**. The aircraft took off from Toulouse on August 3, and arrived in Jakarta on August 5. The 8,000th delivery highlighted the manufacturer's position as a leader in the civil aircraft market, **Airbus** said. **AirAsia Group** is the largest low-cost airline in Asia and is the largest customer for the A320 Family, having ordered a total of 475 aircraft. The airline has ordered 264 A320neo and 211 A320ceo airplanes. It also bought 26 A330-300s and ten A350 XWBs for its long haul affiliate **AirAsiaX**. As of early August, 141 **Airbus** aircraft were flying in **AirAsia's** colors from its 16 bases in Indonesia, Japan, Malaysia, the Philippines and Thailand.

EasyJet ordered 35 A320ceos and 100 A320neos at the **Paris Air Show**. The airline's stockholders approved the deal in mid-July. **EasyJet** is the U.K.'s largest airline and is the largest A320 Family customer in Europe. The airline operates 153 A319s and 59 A320s, and now has 149 A320s in backlog.

International Airlines Group (IAG) signed a purchase agreement for 30 A320ceo and 32 A320neo aircraft in August, and took options on 58 A320neo Family aircraft. The airplanes will be operated by **Vueling**, as part of its fleet development and modernization strategy. The new aircraft will enable the Barcelona-based airline to replace some of its existing A320 fleet and expand its business. The firm orders will be delivered to **Vueling** between 2015 and 2020. **Vueling** currently operates 70 A320 Family aircraft on domestic and regional routes to Europe, North Africa and the Near East. The deal is subject to shareholder approval and is part of a wider **IAG** agreement for up to 220 aircraft. **IAG** has signed a Memorandum of understanding (MoU) for 100 additional A320neo options that could be used by **British Airways**, **Iberia** or **Vueling**. The 220 aircraft were valued at approximately \$20 billion at list price. **IAG's** order was an abandonment of the **Boeing 737**, since **British Airways** currently operates 18 elderly 737-400s and the group as a whole operates 231 A320 Family aircraft.

Nepal's flag carrier, Nepal Airlines Corporation (NAC) signed a firm order for two A320ceo aircraft equipped with Sharklet wingtip devices. They chose the A320 because it could operate from high altitude airports and it had the flexibility to fly on a wide variety of routes. **Nepal** currently operates two 757-200s and three DHC-6 Twin Otters and has two **Xi'an MA-60s** on order.

Syphax Airlines, Tunisia, purchased three A320ceos and three A320neos in early July. This was the first order for the A320neo from an African-based carrier. The A320s will be powered by CFM56 and LEAP 1A engines respectively. The airline already operates two A319s, three A320s and a leased A330-200.

Turkish Airlines exercised three options for A330-300s from its October, 2012, order for 15 of the type. The aircraft will be delivered in 2015 and 2016. **Turkish** has not disclosed an engine selection for the three latest A330s. It already operates **Rolls-Royce** Trent 700-powered A330-300s, while the 15 A330s that were purchased in October will be fitted with **GE CF6** powerplants.

SriLankan Airlines ordered four A350-900s in late July. It will lease three more A350-900s. The airline is the 35th customer for the twinjet type. The planes will replace the carrier's six A340-300s and

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seven A330-200s. The A350-900s will arrive in 2017. **Airbus** has booked 1,252 orders for the three types of A330s and the A350 XWB has won 682 firm orders.

Airbus and Boeing are developing shorter-range planes to operate on airlines' short and medium haul regional routes. The airlines are no longer willing to pay for performance they don't need. For years the manufacturers spent billions of dollars building aircraft that could fly ever greater distances, up to a third of the way around the world. Recently, **Boeing** launched the 787-10 Dreamliner which offered a longer fuselage and more seats but 1,800 kilometers less range. The 787-10 is optimized for regional operations in Asia. After the -10 launch at **Paris Air Show**, **Airbus** revived its plans for a new 'regional' version of its A350. It is aimed at the Chinese and Indian domestic markets. In the next two decades, it is expected that half the world's traffic growth will involve Asia and traffic within the region is growing fastest. The top three growth routes will be in South and Southeast Asia, requiring shorter range than offered by the next generation of twin jets. **Singapore Airlines** jumped first when it bought 30 787-10s and 30 A350-900s. Some of the A350s will be the lighter-gross-weight A350 Regional. The regional version will not require a physical redesign, but will be accomplished by adjusting its capabilities. **Airbus** will lower the maximum take-off weight (MTOW) by tuning the engines for lower thrust, which saves on maintenance costs. The official MTOW determines the landing and en-route charges paid by the airline. The airlines should be able to buy the planes at a lower price. Later, airlines can reprogram the planes for full performance before selling them. By splitting the A350-900 into two models, **Airbus** could target the 787-10 and also protect the long-range -900 model, with its higher price. **Airbus** sales chief **John Leahy** boasted, "I am offering a regional A350, that clobbers the 787-10, to individual airlines right now." He said that several unidentified airlines had already signed up. **Boeing's** Vice President of Marketing, **Randy Tinseth**, said, "Our airplane will be lighter, have more seats and bring our customers tens of millions of dollars in added value over its lifetime compared to the competition." He sees the market for the plane in Asia. Those carriers fly 44 percent of all scheduled widebody flights and 77 percent of these are intra-Asian.

International Airline Group (IAG) placed options for 32 **Airbus** A350-900s and 12 **Boeing** 787-9s for its Spanish subsidiary, **Iberia's** long-haul fleet. The order is subject to **Iberia** successfully restructuring and returning to profitable growth, **IAG** said. The parent company announced its plan to order 18 A350-900s or -1000s for its other subsidiary, **British Airways** in April and it said it would order more 787s. As part of those deals **IAG** disclosed it reached an agreement with **Airbus** and **Boeing** to secure commercial terms and delivery slots for A350s and 787s. **Iberia** CEO **Luis Gallego** commented, "We have options to change and grow the long-haul fleet with new generation aircraft. We have up to 32 options for A350 and 12 options for the 787." The twinjets will replace **Iberia's** 17 A340-600s in the short term and, in the longer term, its A330 fleet. The airline ordered eight A330-300s, and holds four options slated for delivery between 2015 and 2017. It has four A330s in its fleet and will retire its dozen A340-300s.

Singapore Airlines (SIA) Will be the Launch Customer for the A350-900 Regional. The aircraft will be structurally identical to the baseline A350-900, but certificated to a maximum take-off weight of 250 tons, compared with the standard -900's MTOW of 268 tons. The A350 Regional will be equipped with the 75,000lb-thrust (334kN) **Rolls-Royce** Trent XWB engines from the shorter A350-800, rather than the 84,000lb powerplants of the standard -900. This will allow engine maintenance intervals to be extended for more cycles. **Airbus** said it had an "undisclosed customer" for the new plane, which will have a lower list price than the full-specification model. Industry sources said **SIA** was buying a batch of

de-rated aircraft as part of the order for 30 A350-900s that was announced at **Paris Air Show**. Delivery of the 30 A350s will start in 2016. The airline previously ordered 40 A350-900s for a total of 70. It said it would operate the aircraft on both medium- and long-range routes at **Paris**, but it declined to say if it bought the lower-weight version. **SIA** committed to buy 30 **Boeing 787-10s** at **Paris Air Show**, with the first delivery in 2018. **John Leahy**, **Airbus'** chief operating officer for customers said, "We are now offering an A350-900 regional," which has five or six more seats than the 787-10, configured with nine-abreast rows with 18-inch seat pitch, while the 787-10 will have eight-abreast seating at 18 inches. "I de-rate[d] the weight of the aircraft and engine and increase[d] the number of cycles for regional flying. It'll be offered formally later this year, but we're offering it to individual airlines right now. Some of them have even bought it, but they've kept it quiet for a while because they want to see exactly how we position it," he said, explaining **SIA's** reluctance to comment. The lower-weight A350-900s will be marketed toward intra-Asian, Middle East-Europe, and trans-Atlantic routes. **Airbus** claims the A350 Regional will offer the same payload-range capability and "comparable economics" as the 787-10, but with "better passenger comfort". Airlines or lessors will be able to pay **Airbus** to "re-activate" the full 268-ton MTOW when required, Mr. **Leahy** said. **Airbus** intends to offer a new lower-weight A330-300 for regional routes. It will have an MTOW of around 207 tons. It has already sold 207-ton MTOW A330-200s to **Qantas**. Mr. **Leahy** said "The A330 started out as regional aircraft, and we've now grown it up to do New York to Tokyo but it actually maintains the capability for short range. So we're looking at coming out with a lower take-off weight version of the aircraft, lower thrust on the engines, slightly improved aerodynamics, to make a regional aircraft that will be optimized to fly 4-6 hours around the region. We have to certify the lower take-off weight and lower thrust, [and] reach agreements with the engine manufacturers. And we have to decide ourselves on the lower price for the less-capable aircraft, and then how much it would cost to buy back the fully-capable aircraft. We also have to certify a higher cycle limit." **Airbus** would like to offer the Regional models to airlines this year.

Boeing Orders

Boeing Sold 90 New Aircraft in July. **TUI Travel** signed its previously announced commitment for 60 737-MAX, **United Airlines** ordered two more 737-900ERs, and unidentified customer(s) contracted for four 737-MAX aircraft. The **United States Navy** signed a follow on order for 13 737-800-P-8A Poseidon maritime patrol aircraft in late July. One unidentified customer ordered one 787-8. **All Nippon Airways** ordered three more 777-300ERs, and **Turkish Airways** bought five additional 777-300ERs during the month. A new **Boeing** customer, **Silk Way Airlines** purchased two 747-8Fs.

Boeing delivered 52 aircraft in July, including seven 787s. It also handed over 35 737NGs, two 767s, and eight 777s. During July, customers

Travel Service finalized an order for three 737-MAX-8s, in August. The airplanes were valued at \$301.5 million (\$100.5 million) at list prices. The Czech Republic-based carrier originally announced a commitment to purchase the 737-MAX during the **2013 Paris Air Show**. The order brings the total number of 737-MAX orders to 1,498 airplanes. In June, **Boeing** announced that it finalized the configuration of the 737-MAX-8, which will feature **CFM International LEAP-1B** engines, and offer a range of 3,500 nautical miles. This is 540 nautical miles farther than the 737-800NG can fly. It also features a redesigned tail cone and the **Advanced Technology Winglet** to reduce fuel use. Other changes include upgrades to the flight deck displays, an electronic bleed air system and fly-by-wire spoiler flight controls, **Boeing** said. The first 737-MAX-8 is scheduled to enter service beginning in 2017. **Travel Service** did not announce the delivery date for its new aircraft. The airline currently operates 28 737NGs both delivered by **Boeing**, as well as leased airplanes.

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cancelled a total of seven 737 orders, **Boeing** said. As of July 31, **Boeing** had lost 94 737 orders as well as orders for five 747s and eight 777s. In early August, one unnamed customer cancelled one 787.

TUI Travel signed its previously announced commitment for 40 737-MAX-8s and 20 MAX-9s, worth \$6.09 billion (\$101.5 million each) at list prices. The airline said it “secured a significant discount to the list price of each aircraft through various concessions, allowances and support from **Boeing**.” **TUI Travel’s** press release said the conglomerate had “the option to acquire up to a further 60 **Boeing** 737 MAX aircraft on the same terms as the committed 60 aircraft.” Further, it can purchase a further 30 MAX aircraft on terms to be determined at the time of exercising this purchase right. The 60 firm aircraft will be delivered from January 2018 through March 2023. **TUI Travel** owns and operates six European airlines **Thomson Airways**, **TUIfly**, **TUIfly Nordic**, **ArkeFly**, **Jetairfly** and **Corsair**, which operate 141 aircraft. The first five of these airlines operate 114 narrowbody aircraft between them.

The U.S. Navy recently awarded a \$1.98 billion (\$152.31 million each) contract for 13 additional P-8A Poseidon maritime patrol aircraft. The U.S. Navy intends to buy more than 100 P-8As. The contract includes long-lead funding previously approved by the **Navy**. Ten P-8As have been delivered to the U.S. **Navy** to date.

United Airlines ordered another two 737-900ERs, for a total of 139 orders. The airline has taken delivery of 66 of the airplanes. The airline is taking delivery of an average of two -900ERs per month in 2013 and the planes replaced the last of the elderly 737-500s in June, and will supplant the airline’s domestic 757-200s over the next few years.

Silk Way Airlines, a cargo carrier based in Baku, Azerbaijan, announced an order for two **Boeing** 747-8 Freighters in July. The sale was valued at \$704 million (\$352 million each) at current list prices. **Silk Way** currently operates two 747-400 Freighters and two 767-300 Freighters. It was founded in 2001 and is considered as one of the leading cargo airlines in Central Asia. The airline is part of the **EuroAsian**

Boeing July 2013 Orders, Deliveries					
JUL ORD	JUL DEL	JUL CANX	TOTAL ORD	TOTAL DEL	BACK LOG
737					
79	35	-7	11,160	7,678	3,482
747					
2	-0-	-0-	1,525	1,470	55
767					
-0-	2	-0-	1,108	1,054	54
777					
8	8	-0-	1,460	1,121	339
787					
1	7	-0-	931	73	858
This Month			This Year		BL
90	52	-7	775	358	4,788
Boeing sold 23,714 aircraft and delivered 18,926 as of July 31, 2013.					
The Current Program includes sales and deliveries of 737s, 747s, 767s, 777s and 787s.					
Sales totals are net, minus 108 cancellations. Boeing expects to deliver from 635 to 645 aircraft in 2013,					

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Transport Company and has co-operating contracts with **Azerbaijan Airlines**, **Lufthansa Cargo** and **Cargolux**. To date, **Boeing** has delivered 36 747-8 Freighters.

All Nippon Airways (ANA) ordered three 777-300ERs valued at \$945 million (\$315 million each) at current list prices. The planes will arrive in the first six months of 2015. **ANA** operates seven **Pratt & Whitney PW4000**-powered 777-300s, and 19 **General Electric GE90**-powered 777-300ERs.

Turkish Airlines (THY) exercised options on five 777-300ERs, valued at \$1.6 billion (\$320 million each) at list prices. The Turkish flag-carrier's options were part of a previous firm order for 15 777-300ERs that was announced in December 2012. **Turkish Airlines** now has 20 777-300ERs on order and 12 in service. The recent deal raised **THY's Boeing** airplane backlog to 105 including 35 737NGs, 50 737-MAXs and 20 777-300ERs. The manufacturer sold 34 777s this year and lost eight existing orders for a net increase of 26. With **ANA's** and **THY's** orders, **Boeing** won 1,460 orders for 777s from 66 global customers.

Ryanair Not Ready to Buy 737 MAX. Europe's largest airline is still looking at **Boeing's** proposal. CEO **Michael O'Leary** told the press, "We have a senior team working on [the] MAX project. We will then see if we can reach an agreement on price and delivery dates by the end of the calendar year, but I suspect that might be a little bit on the optimistic side." The **Ryanair** team expects to report to **Boeing** and the airline's management by the end of September. "If **Boeing** wants an order before the end of the year then one will get done. If they don't want or need an order before the end of the year, then it might not," Mr. **O'Leary** said. The Irish low-cost carrier is looking at buying 200 737-MAX-8s to complement the 175 current-model 737-800NGs it ordered at the **Paris Air Show**. The combined purchases

Commercial Aircraft Corp. of China (COMAC) will delay the maiden flight of the C919 by one year, until 2015. **COMAC** delayed the flight of China's first large passenger jet for non-technical matters, the Chinese press reported. **Zhang Yanzhong**, director of the program's advisory committee of experts and a member of the **Chinese Academy of Engineering**, said the program encountered difficulties due to the manufacturer's present level of technological expertise and experience building commercial aircraft, but that these are not major setbacks. "Generally speaking, the project is going well now," he said. **COMAC** started manufacturing parts and components, and it is working on the research of some key technologies. The Shanghai-based plane maker will notify its suppliers about the delay shortly. The **COMAC C919** will be a 168-seat, medium-range, trunk liner that will compete with the A320 Family and 737, which have a lock on the global market for aircraft of that size. **COMAC** said it had 380 commitments for the C919 from 15 customers. Most of the sales are to Chinese airlines and lessors, including China's big three airlines, **Air China**, **China Eastern Airlines** and **China Southern Airlines** and two leasing companies, **BOC Aviation**, and **ICBC Leasing**. **GECAS** ordered 20 as well. The first deliveries to customers will be delayed until 2018 or 2019. The domestically designed and built airliner will feature **Honeywell Aerospace** avionics, **CFM International LEAP-1C** engines and parts from other major Western suppliers. Canada's **Bombardier** will help **COMAC** get foreign regulatory approval for the C919. The C919 and **Bombardier CSeries** would share a common cockpit, to reduce **COMAC's** research costs and to increase the appeal of the plane because pilots will be able to fly both of them with little extra training. **COMAC** foresees a need for 4,200 commercial aircraft in China by 2020. The 46 Chinese airlines currently operate 2,001 airplanes, the **Civil Aviation Administration of China** said in May.

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would grow **Ryanair's** fleet to more than 500 airplanes from just over 300 today. The 200 MAX-8s are valued at \$20.1 billion at the list price of \$100.5 million per aircraft. A huge order like this one will be deeply discounted. The first 737-MAX will be delivered in 2017 to launch customers.

Regional Report

Bombardier Aerospace Second Quarter Earnings. Revenues amounted to \$2.3 billion for the three-month period ending June 30, 2013. Earnings before interest, taxes and special items totaled \$107 million, representing 4.7 percent of revenues. In the second quarter of 2012, **Bombardier's** earnings were \$99 million or 4.4 percent of revenue. Free cash flow usage totaled \$459 million compared to \$504 million in the same period last fiscal year. **Bombardier Aerospace** delivered a total of 57 aircraft during the second quarter compared to 62 for the same period last year. It received 82 net orders during the second quarter, compared to 146 for the second quarter 2012.

Embraer is willing to sacrifice profit margins to win market share as it competes for jet sales with **Bombardier**. The cut-rate prices won big orders from **American** and **United**. The Brazilian manufacturer's Chief Executive Officer **Frederico Curado** said that demand for the smaller, cheaper models and for discounts to attract customers "put pressure on pricing." **Embraer's** firm order backlog of 366 regional jets now beats **Bombardier's** orders for 279 the CRJ and CSeries aircraft, but **Embraer's** earnings before interest and taxes (EBIT) margin fell to 6.8 percent during the first half from 10 percent in 2012. **Embraer** now claims to be the top regional-jet brand in the U.S. airline market.

Bombardier Aerospace may reschedule the entry into service date for the CSeries CS100 after the aircraft's first flight, now expected in September. The company sees no reason to delay the operational debut of the small narrowbody further. In its second quarter financial statements the company said it will provide an update on delivery dates for the 110-seat CS100 and 135-seat CS300 twin-engined jets. **Bombardier** previously said that production aircraft would be ready 12 months after the first flight of each model of CSeries. **Bombardier CEO Pierre Beaudoin** commented that the company is still implementing software upgrades into its prototype CS100 ahead of first flight. "We'll adjust if we need to adjust, but I've no reason this morning to say the 12-month (lead-time) is not realistic," he said. This is the second delay in the flight test program. The first CS100 was supposed to be delivered to launch customer **Malmo Aviaiton** in late-2013, but last November, **Bombardier** said supplier delays caused the CSeries first flight to move to late June. Fortunately, the delays have not affected the CSeries orderbook, but one undisclosed customer cancelled three CS100s in the first quarter. He said, "The airlines are very supportive of the program we have and where we are in our schedule." The CSeries features an all-composite wing, aluminum-lithium fuselage panels and the **Pratt & Whitney PurePower PW1500G** geared turbofan, as well as a fly-by-wire flight control system supplied by **Parker Aerospace**.

Sukhoi Superjet Woes. Russian President **Vladimir Putin** used his considerable influence to keep **Sukhoi Civil Aircraft** from defaulting on its loans. The state-owned **Vnesheconombank (VEB) (Bank for Development and Foreign Economic Affairs)** will provide a new subsidy for Superjet 100 production. **VEB** is selling its five percent share in **Airbus**, for approximately \$2 billion, to fund the rescue. **VEB** bought the **Airbus** shares in 2007. Last year, **Vnesheconombank** opened a \$1 billion credit line to fund the Superjet program. **Sukhoi** wants to restructure its debt and improve liquidity, and has been holding talks with various **Russian Government** ministries to explore possible options for developing the Superjet. It also reached agreements with its major creditors to defer loan repayments

until it improves liquidity and its cash-flow position. The company's financial performance was "dictated" by the "significant" discounting of aircraft to win sales to launch customers. Also its loans in dollars and euros have resulted in a heavy exchange-rate impact of Rb3.3 billion (\$99 million) over this year's first half, and that interest payments on loans amounted to Rb2.2 billion (\$66 million). The airframer borrowed Rb70 billion (\$2.1 billion) to finance the Superjet 100 program and it expressed confidence that it will reach break-even in 2015 from projected revenues of \$1.5 billion. It forecast a sales increase to \$2 billion by 2018. **Sukhoi** has built 10 Superjet 100s as of July and delivered three of them. They intend to complete 26 SSJs during 2013, and produce 40 next year.

The COMAC ARJ21 Regional Jet completed high temperature and high humidity test flights in July, verifying the effectiveness of the aircraft's cabin air management and hydraulic systems. The plane was tested at temperatures as high as 40.3°C (105 Fahrenheit). "The functional characteristics of the ARJ21 air-conditioning system, pneumatic system and hydraulic system under the conditions of high temperature and high humidity were comprehensively verified," **COMAC** said. The ARJ21 is unlikely to receive certification until late next year at the soonest, some analysts warned. At the 2012 **Airshow China**, the ARJ21's chief designer **Chen Yong** said the airplane was expected to receive its certification from the **Civil Aviation Administration of China** in the first half of 2013 and the first jet would be delivered to launch customer **Chengdu Airlines** in 2014. The ARJ21 project was started in March 2002, and the first delivery was initially scheduled for 2007. The first prototype flew in November 2008. The project was delayed several times.

Viking Air, based at Victoria, BC, Canada, sold four DHC-6 Twin Otter Series 400 aircraft to **Aerostar Leasing Group** for commercial operations in Asia. The airplanes are scheduled for delivery in 2015. Also at the **Paris Air Show**, **Vityaz Avia Corporation**, Moscow, Russia, signed an agreement for an additional seven DHC-6-400 Twin Otters for operation in Russia. The deal brings the **Vityaz** aircraft order to 11 Twin Otters, making **Vityaz Viking's** largest single non-military customer to date. The Twin Otters are scheduled for delivery through 2015, and will be utilized as utility aircraft to support remote communities throughout the northern regions of Russia. The first aircraft is scheduled for delivery in time for the **MAKS International Air Show** in Moscow in August. The Twin Otter Series 400 is in operation in 16 countries and **Viking** has a backlog exceeding \$400 million. The company said the Series 400 is now the best-selling next generation turbo-prop aircraft in its class. **Viking** provides OEM support for the worldwide fleet of **de Havilland Canada** legacy aircraft, the DHC-1 through DHC-7.

The Indian Government green lighted the development of an indigenous airliner after several years of dithering. The prime minister's office said, "The high level committee on manufacturing took a major strategic decision for the development of a civil aircraft, of a 70-90 seater range to begin with, in India. This is a strategic sector where there is a need to have a presence in the long term, particularly in view of the rapid growth of our aviation sector." A public-private corporation will utilize the design capabilities of state-owned **Hindustan Aeronautics (HAL)** and the research and development agency **National Aerospace Laboratories (NAL)** to develop and build the aircraft. India expects to collaborate with its private sector and foreign companies. A "high level steering group" will be set up to work out details of the program, including choosing turboprop or jet powerplants. Starting in 2007, **HAL** and **NAL** undertook separate studies and eventually a 16-member committee including **HAL**, **NAL**, the civil aviation ministry, research bodies and some Indian industrialists, was formed. They focused on a 70-90

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seat aircraft with a range of 1,350nn, a composite airframe and a locally-built fly-by-wire control system. The project stalled due to problems of financing, even though **NAL** forecast a demand for up to 500 regional transport aircraft in India. If India launches a regional jet, it will compete with two current and six planned under-100 seat jets. If India choses turboprop engines, the plane will compete with the well-established ATR 72 and Dash 8-Q400 programs.

Engine News

Volaris has selected **Pratt & Whitney** PurePower PW1100G-JM engines to power its 30 firm A320neo aircraft. The airline became the first Mexican airline to select the Geared Turbofan. **Volaris** also selected the **International Aero Engine** V2500 engine to power the 14 A320ceos that it bought. These contracts cover engines, spares and aftermarket services.

Pratt & Whitney (P&W) said the PW1200G geared turbofan's development is on track and will not affect the Mitsubishi Regional Jet (MRJ)'s schedule. The manufacturer dismissed talk that the engine was delaying the aircraft program. "We are continuing our work to integrate the PW1200G engine with the Mitsubishi Regional Jet and we are on track and on time to deliver the first engine as required by **Mitsubishi's** schedule," a **P&W** spokeswoman told the press. **Mitsubishi Aircraft** recently said its regional jet could again be delayed, while also stating that all of its partners, including **P&W**, were fully supporting the MRJ program with their best efforts and were meeting requirements for its development schedule. The Japanese press reported the MRJ could be delayed because the airframer was still discussing parts specification with foreign manufacturers. A **P&W** spokeswoman said extensive testing confirmed that the PW1100G-JM engine, which is closely related to the PW1200G, was on schedule, despite an issue with a turbine vane that was uncovered earlier this year. The MRJ engine completed more than 1,600 hours and 5,900 cycles of testing, including 127 flight hours from 23 flights on the test bed aircraft. Some certification testing of the engine was completed and the engine certification program will begin in earnest this year. Certification of the PW1200G is expected in the latter half of 2014, or at least six months after the first flight of the MRJ, scheduled for late this year. The MRJ was supposed to fly in late 2011, but this was delayed to the second quarter of 2012, and further delayed to late 2013.

Order Changes and Cancellations

Airbus Order Shuffle. In July, **Aviation Capital Group** exchanged four of its 79 A320 orders for one A321 and three A319s orders. **CIT Aerospace** dropped two A320 orders when it bought three more A319s and five A321s. **US Airways** exchanged its last A319 order and five of its 10 outstanding A320 orders for six more A321s. The

Air Canada split its firm order for 37 **Boeing** 787-8s to 15 787-8s and 22 787-9s, airline CFO **Michael Rousseau** said in August. "Starting in the first quarter 2014, we expect to take delivery of our first of 37 Boeing 787 aircraft, comprised of 15 787-8s and 22 787-9s." The airline now expects six 787-8 deliveries in 2014 instead of the seven previously scheduled. One aircraft delivery was delayed from December 2014 to January 2015. **Boeing's July Orders and Deliveries** webpage still shows that **Air Canada** has 37 787-8 orders. The Canadian flag carrier is scheduled to receive three high-density, 458-seat 777-300ERs in August, November and December of 2013, with the fourth planned for hand-over in February 2014. The airline accepted its first of the five aircraft in the second quarter. They were ordered in August 2011 and March 2012.

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airline has five A320s and 31 A321s on backlog. **GECAS** shifted four A320 orders to the A321 type. It now has 72 A320s and 28 A321s on order. **Tigerair Australia** cancelled eight of its 66 A320s and they were taken up by **Titan Airways**. **Intrepid Aviation Group** cancelled one of its five A330-200F freighter orders and purchased its 10th A330-300 passenger plane.

Boeing's Order Cancellations and Changes. In early July, **Boeing** lost five 737 orders. Later in the month, one customer cancelled two 737 orders, for a total of 94 737 cancelations in 2013. In August, one 787 order was cancelled, the first of that type to be lost this year.

Bombardier reported the cancellation of eight CRJ900 Next Gen orders in the second quarter. It is believed that the airplanes had been ordered by **Iraqi Airways** and **Tatarstan Aircompany**. The **Iraqi** order has been in doubt for several years, and **Tatarstan** ordered two CRJs in 1994 and still has not taken delivery.

TRIP, Brazil, transferred its last two EMBRAER 195 orders to **Azul Linhas Aereas**.

Leasing Companies

American International Group (AIG) is still talking with a Chinese investor group which wants to buy the lessor **ILFC**. The investors missed three deadlines to complete the deal and **AIG** has the option to terminate the contract. In a letter to the **U.S. Securities and Exchange Commission**, **AIG** said it may pursue other bids or an initial public offering. The lead Chinese investor is **New China Trust Co.**, while **P3 Investments Ltd.** and **China Aviation Industrial Fund** are members of the group. The group denied stories in the Chinese press that the deal was dead. The group agreed in December to buy 80 percent of **ILFC** for about \$4.2 billion. Another deadline has passed, but it may be extended. If the sale falters, **AIG** is increasingly likely to pursue an initial public offering (IPO) for its plane-leasing business analysts say. They do not see anyone with pockets deep enough to buy **ILFC** outright. Even though **IAG** paid back the U.S. bailout loan last year, the insurance company wants to reduce its debt and simplify the company. Proceeds from the sale could help **IAG** pay a dividend or buy back shares. **ILFC** is valued from \$5 billion to \$5.3 billion, based on its fleet, its backlog of undelivered aircraft and its recent stock performance. **AIG** bought **ILFC** for \$1.16 billion in 1990.

Aircastle Reported \$170.4 Million in Revenues for the second quarter, down \$1.8 million or 1 percent year over year. Lease revenues were \$162.1 million, up \$7.5 million or 5 percent from the previous year. Revenues were impacted by aircraft acquisitions of \$26.1 million. This was partially offset by lower revenues due to aircraft dispositions of \$9.5 million and from the effect of lease extensions, transitions and terminations valued at \$9.1 million. Total revenues were impacted by the amortization of lease premiums, discounts and lease incentives which were \$10.8 million higher in 2013. The second quarter of 2012 saw several early lease terminations. That revenue decrease was partially offset by \$7.5 million from higher lease rental and finance lease revenue; also \$1.8 million of other revenues, such as early lease termination fees. Net income for the second quarter was \$32.9 million, double the \$16.5 million net income in the same period in 2012. The increase was primarily due to higher gains from the sale of aircraft of \$18.5 million and lower aircraft impairment charges of \$10.1 million.

Air Lease Corporation (ALC) announced the long term lease of one new **Boeing 737-800** to **Air**

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Berlin. It is scheduled for delivery in February 2016. The two parties also agreed to a lease extension for six aircraft. The extension terms average five years on four 737-800s, one **Airbus A320-200**, and one A321-200. **ALC** leased its first new aircraft to **Air Berlin** in May 2010.

AWAS will long-term lease one new 737-800 to **Travel Service**. **Travel Service** was established in 1997 and offers charter flights in the Czech Republic, Slovakia, Hungary and Poland. They have operated scheduled flights under the **SmartWings** brand since 2004, and since 2007, they have also provided private jet services as an air taxi within the Business Jet category. **AWAS** will long-term lease a second 737-800 with **Sunwing Airlines**. **Sunwing** is a Canadian high frills, low cost airline. Both aircraft will come from **AWAS'** existing new order pipeline.

CIT Aerospace signed 31 lease agreements and delivered 19 aircraft in the second quarter of 2013. The deliveries included new and used aircraft, as well as lease extensions of its existing fleet, while the lease agreements included current and future leases of commercial aircraft. **CIT's** first half totals included 59 signed lease agreements and 28 aircraft delivered. The company added one new customer to its client base. **CIT Aerospace** serves approximately 100 customers in 50 countries and owns or finances a fleet of approximately 350 commercial aircraft.

Air Lease Corporation reported that its revenues in the second quarter increased 31.4 percent to \$207.9 million, compared to \$158.2 million for the same quarter in 2012. Income before taxes increased 51.1 percent to \$66.3 million with a pretax margin of 31.9 percent in the quarter. Its income before taxes in the second quarter 2012 was \$43.9 million with a pretax margin of 27.7 percent. **ALC** acquired 10 aircraft from its order book and two from other sources, causing its fleet to grow to 174 aircraft spread across a customer base of 78 airlines in 44 countries. The weighted-average age of the fleet is 3.5 years and the weighted-average of the remaining lease terms are 7.1 years. The net book value of the fleet is \$7.0 billion. **ALC** currently manages 51 A320 Family aircraft, 20 A330-200/300s, 49 737NGs, three 767-300ERs, seven 777-200/300ERs, 32 Embraer E175/190s and a dozen ATR 72-600s. At **Paris Air Show**, **ALC** signed a non-binding Memorandum of Understanding for 30 787-10 aircraft and three additional 787-9s. The first 787-10 will be delivered in 2019.

FlyDubai will be selling two more 737-800s to **SMBC Aviation Capital** under sale and leaseback agreements. The lessor acquired one new **Boeing** 737-800 (SN 40281) in July and the other two aircraft are planned for delivery in 2014 and 2015, according to the airline. **FlyDubai's** operating lessors included **Avolon Aerospace**, **AWAS**, **BBAM**, **CDB Leasing**, **GECAS**, **Macquarie Airfinance**, **MC Aviation Partners** and **Pembroke Group**. This transaction added **SMBC Aviation Capital** to the list.

First Star Aviation, a new aircraft leasing company, was recently founded by **Fifth Street Finance Corp.** and is led by **Pradeep Hathiramani**, former Principal and Sector Head of Transportation at **KKR Asset Management**, as managing director. **First Star** closed its first deal, which consisted of three commercial aircraft on lease to a U.S. airline. **Fifth Street** provided **First Star** with debt and equity capital.

Airline News

International Airlines Group (IAG) reported a second-quarter operating profit of €245 million, compared with a €4 million loss a year ago, the first quarterly profit in almost three years. **Iberia** offers Europe's most flights to Latin America and it saw its losses fall to €35 million in the second quarter, down from €93 million in the same quarter last year. **British Airways (BA)** is now performing consistently well and its second-quarter profit almost trebled to €247 million over the last year. It benefited from strong transatlantic traffic at its **London Heathrow** base. **IAG** is Europe's third largest airline group by market value, and it spent around €700 million (\$924.6 million) on restructuring **Iberia**. The Spanish flag airline had been unprofitable in all of its markets, including long haul, since its merger with **British Airways** in 2011. The airline suffered from competition from low-cost rivals, union disputes and the six-year recession that caused 25 percent unemployment in Spain. **IAG CEO Willie Walsh** told the press, "**Iberia** is starting to see the benefits of cuts to costs and capacity, but there's still a long way to go." All the full-service carriers such as **BA**, **Air France/KLM** and **Lufthansa** have had to cut employees and growth plans to deal with high fuel prices and a weak economy, and they had to defend market share against a growing number of low-cost airlines like **Ryanair**, **easyJet**, et al. **Lufthansa** is also in the middle of a deep restructuring and it reported a 27 percent drop in second-quarter profits because demand even in the still-solvent Germany is weak. **Iberia** cut 1,700 jobs and plans to eliminate another 1,300 staff by 2014 as it focuses on profitable long-haul routes. **Iberia Express** and **Vueling**, the budget carrier that **IAG** bought earlier this year, will concentrate on shorter services. **IAG** plans to increase its capacity by 5.2 percent this year, helped by **Vueling**, which delivered a €27 million profit in the quarter.

Air India generated a cash surplus of Rs 460 crore (\$75.4 million) in the second quarter, due to a series of cost cutting measures and an aggressive marketing strategy. The airline has been growing for a year. Its strategy reviewed **Air India's** fleet, route network, pricing, schedules and revenue management, the airline said. The flag carrier gradually reduced its running cash loss from Rs 512 crore (\$83 million) in the fourth quarter of 2011 and Rs 432 crore (\$70.8 million) in the first quarter of 2012 to just Rs 37 crore (\$6.07 million) in 2012's second quarter. The airline started showing a gross profit in the third quarter of Rs 51 crore (\$8.3 million). It jumped to Rs 312 crore (\$51.1 million) in the final quarter of 2012 and Rs 361 crore (\$59.2 million) in January-March this year. The airline's domestic load factor has been running between 70-80 percent since October 2012. **Air India** right-sized its fleet by withdrawing its **Boeing 747-400s** from service. It is replacing its 777-200LR (Long Range) aircraft with new 787 Dreamliners. Fourteen A320s were reconfigured with 168-seat, all-economy class cabins to effectively compete with the no-frill carriers. The airline also improved pricing and revenue management, by using a market-driven and responsive pricing policy, an automated revenue management structure and supporting tools and 30 or 60 days advance purchase fares, the airline sources said.

Air France may cut up to 3,000 more jobs, its **CGT** union said. The parent group, **Air France-KLM**, is implementing further cost reduction plans in reaction to Europe's weak economy. The new plan will be announced this autumn, and will include voluntary retirements at **Air France's** medium-haul business, as well as industrial and commercial initiatives. Over the last four years, **Air France-KLM** had already renegotiated pay and working conditions with airline staff, cut 5,122 jobs and restructured its route network to counter high fuel costs, a weak cargo business and tough competition from Gulf and low-cost carriers. The airline's medium-haul and cargo businesses have improved their operating results, but the

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carrier said the changes were judged as insufficient considering Europe's weak economic conditions. The detailed cost-cutting plan could be released in October and would be implemented in early 2014.

Etihad Airways will buy 49 percent of **JAT Airways**. The **Serbian Government** agreed to sell half the airline to **Etihad** for \$40 million. The funds will come as a loan facility to **JAT**, which would be converted into equity on January 1, 2014. The Serbian flag carrier will be renamed **Air Serbia**. The **Serbian Government** will match the funds through a capital injection. The two parties would each provide further funding of \$60 million through shareholder loans and other funding mechanisms to meet working capital requirements and expand the **Air Serbia** route network. **Etihad** won a five-year management contract. Serbia is offloading a number of loss-making state companies to help rein in its rising budget deficit.

IATA Posts August Jet Fuel Prices. The association updates the world's average jet fuel price each week. On August 16, the average price of fuel was \$3.019 per gallon. The fuel price was \$2.938 per gallon on July 26. The August price was 1.7 percent higher than in July, and was only 5.7 percent less than in August 2012. The price of fuel is affected by location. It was only \$2.98 in the Middle East region and was as high as \$3.15 per gallon in Latin America. **IATA** forecast that the global airline industry's fuel bill will total \$124.1 billion in 2013. This was a decrease of \$4 billion over 2012.

Singapore-Based Budget Carrier, Tigerair, may buy up to 24 percent of Indian no-frills carrier **SpiceJet**. The two airlines are ready to sign a code share agreement soon. Indian sources said **SpiceJet** owner and media baron **Kalanithi Maran** may sell some of his shares to **Tigerair**. His airline saw a 10 percent drop in net profit in the second quarter and it wants to retire some of its debt. Mr. **Maran** bought **SpiceJet** in 2010. **SpiceJet** and **Tigerair** have held two rounds of talks about the possible equity deal.

The Portuguese Government restated its plan to sell state-owned airline **TAP Air Portugal** this year, after failing to find a suitable bidder in the recent past. **Sergio Monteiro**, Secretary of State for Public Works, Transport and Communications told the press, "We continue to check market conditions in order to hold a truly competitive process that will result in the best offer for the airline's development." Last year, the government rejecting the sole offer for **TAP** from **German Efromovich's Synergy Group**, in Brazil, which controls **Avianca** and other airlines in South America. Portugal was required to sell the flag carrier as part of a bailout by the **International Monetary Fund** and the **European Union** in 2011. **TAP** offers 74 weekly flights between Lisbon and Brazil, as well as services to Africa, Europe, and North America. The airline needs external financing to expand its business and renovate its fleet, Mr. **Monteiro** said. As of July, 2013, "No fixed timetable has been established for the privatization of **TAP**. Since the sale process has not formally restarted, no offers could have been presented," he said.

RAK Airways, the Emirate of Ras Al Khaimah, is talking with **Airbus**, **Boeing** and **Bombardier** about ordering 10 single-aisle aircraft. The state-backed flag carrier is interested in the A320ceo, the 737-800NG and the new CSeries jet, and it wants to make a decision by the end of the year or in early 2014. **RAK** began flying in 2007, but suspended scheduled operations during the global slump. It restarted operations in 2010 and currently operates two A320s. It plans to expand its network from nine to 40 cities by 2015. **RAK Airways** carried 300,000 passengers in 2012, and it expects to earn a profit in 2014. **RAK** operates in one of the world's most competitive aviation markets, against two airline superpowers, **Emirates** and **Etihad** and two much larger short-haul airlines, **Air Arabia** and **FlyDubai**. Chief Executive Officer **Murabit Al Sawaf** said, "Ras al Khaimah is growing in an aggressive way, so

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we should be as aggressive as the government. In five years I want the company to be one of the major airlines in the region. In five to 15 years we'll be on a curve to go upwards to have a worldwide position and international identity." The airline just signed a deal with **ILFC** to lease an A319 and an A320.

Aeroflot Russian Airlines plans to lease 50 new **Boeing 737NGs**. The Russian flag carrier submitted a request to the federal property agency to start taking delivery of its first three of 13 737-700s, 29 -800s and eight -900ERs before 2014. **Aeroflot** and **Aviacapital Service** negotiated the \$3.5 billion deal in 2011, and the planes were ordered by **Rostec** in October 2010. **Aviacapital Service** is an in-house leasing subsidiary of the state-owned industrial conglomerate, **Rostec**. It failed to secure financial backing from the US **Export-Import Bank**, so the leasing company may transfer the order to **Vneshtorgbank (VTB Bank)**, which is 60 percent owned by the **Russian Government**. **VTB Bank** declined to comment, but a source at **Rostec** said the two sides reached an agreement in principle. A final decision depends on approval by **Aeroflot's** shareholders (51 percent owned by the **Russian Government**).

Swift Air, a Phoenix-based charter carrier will emerge from Chapter 11 bankruptcy in September. It signed a funding plan with **NIMBOS LLC** which will provide \$1.4 million for the newly reorganized air carrier's operations. The FAR-121 charter carrier was founded in 1997 and it transported political candidates, musicians and sports teams on its fleet of two VIP-configured **Boeing 737-400s** and one 767-200. **Swift Air** filed for bankruptcy in June 2012, after the **NBA** and **NHL** lockouts in 2011 and 2012. The shortened seasons caused several teams to cancel their annual contracts. Now, the airline intends to broaden its business base by expanding into new VIP transport opportunities.

Aegean Airlines offered new concessions to win **European Commission** anti-trust approval for its takeover of rival **Olympic Air**. Its earlier offer failed due to competition concerns over the deal. In spite of losing money due to shrinking domestic traffic, the Greek carrier proposed a €72 million (\$96.38 million) acquisition of **Olympic** from the investment group **Marfin**. The **European Commission** is worried that the combined carriers would have a monopoly, or too strong a position on some domestic routes, even though **Aegean** offered to cap fares on some domestic routes. The **EC** blocked **Aegean's** 2011 bid to purchase **Olympic**, because it would have a quasi-monopoly in the Greek air travel market. Nothing much has changed, except both airlines are losing more money.

Indigo Partners are reportedly negotiating to buy **Frontier Airlines** from its parent company, **Republic Airways**. **Frontier** will be re-launched as a super-cheap airline, offering ultra-low fares, offset by numerous passenger fees. The **Indigo Partners** are a Phoenix-based private equity firm that invested in **Spirit Airlines** in 2006 and adapted the Florida airline to the cheap fares and abundant fees business model. **Indigo** is divesting its **Spirit** stock and **Indigo** owner **William Franke** and **Indigo** principal **John Wilson** resigned from the **Spirit** board of directors. So far, none of the players are willing to comment. Analysts have praised the possible deal. One said it made sense to transform **Frontier** from a typical low-cost carrier to an ultra-cheap airline because **Spirit** has been so profitable. It reported a profit margin of 8.5 percent in the second quarter, more than twice the rate of many of its competitors.

Air Berlin, Germany's second-largest airline, will sell 13 aircraft, worth approximately \$400 million to a new Chinese lessor as part of a financial turnaround plan. The airline said the deal will close in August. Some of the 13 jets will be leased to Chinese airlines and others will be leased back to **Air**

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Berlin. The carrier will reduce its fleet to 143 airplanes by the end of the year, down from 155 at the end of 2012. The sale will reduce **Air Berlin's** debt to approximately €500 million (\$665 million) from the current debt of €706 million.

Technical

Emirates launched a private jet charter operation called **Emirates Executive** which operates one 19-seat **Airbus ACJ319**. The ACJ319 (SN 4822) was delivered to **Emirates** in October 2011, and is powered by CFM56 engines. The ACJ offers private suites and a large multi-function lounge area, which the carrier hopes will attract both private customers and corporations. A dining and executive lounge which accommodate up to 12 passengers is at the front of the twinjet. The second area is fitted with 10 private suites, each featuring a fully lie-flat seat and a 32in HD LCD screen. The suites are complemented by bathrooms featuring a full-height shower. "**Emirates Executive** elevates the high standards and quality of Emirates that our customers have come to expect, with the flexibility and luxury that can only be offered by a private chartered flight," said **Adnan Kazim**, divisional senior vice-president at **Emirates**. The unit intends to serve the growing markets in the Middle East, India, Russia and China, Mr. **Kazim** said.

Jet Aviation Basel was contracted by an undisclosed client for the VIP cabin interior completion of a BBJ1 aircraft. The aircraft will be delivered green to the **Basel Completions Center** in the first quarter of 2014. "The customer has selected the **Basel Completions Center** based on the scope of our in-house capabilities and the depth of our skills and experience in this distinguished market," said **Ruedi Kraft**, Vice President of Market Development & Completions Sales. "We are very excited about the prospect of transforming this empty aircraft into a fully functional, certifiable and unique VIP aircraft interior."



Precision Conversions won a contract to provide **Air China Cargo**, (a joint venture between **Air China** and **Cathay Pacific Airways**), with four full 15-pallet position 757-200PCFs. The first aircraft entered the modification line at the **Taikoo Aircraft Engineering** maintenance facility in Xiamen on July 31. The second aircraft conversion will start in November. The remaining two aircraft will be modified in early 2014. All four aircraft will be used for express package transportation in China. **Air China Cargo**, is based in Beijing, China, and operates to 36 cities in 27 countries.

Aeronautical Engineers, Inc. (AEI), in Dothan, Alabama, redelivered the first 11-pallet 737-400SF (SN 24474) to **CargoAir**. The high gross-weight 737-400SF was built in 1989 and was placed into service for **DHL Express**. It flies from their hub in Leipzig, Germany. **CargoAir** operates three AEI 737-300SF 10-Pallet Freighters for **DHL Express** throughout Europe.

Military Market

Airbus Military formally delivered the first A400M Atlas (SN 007) to the **French Air Force** on August 1. **Airbus** said this was "a milestone marking the beginning of the transformation of military air transport in Europe and beyond. This delivery represents the culmination of 10 years of development by **Airbus Military** and more than 5,000 flight-test hours, involving close to 40,000 people working for this major European defense program." The aircraft will serve at the **Orleans-Bricey Air Base**. **Airbus Military** CEO **Domingo Ureña** said, "Today is a truly historic day for the European aerospace industry

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– marking the moment at which it becomes the new global leader in the military transport sector with an entirely new aircraft. I would like to express my sincere thanks to everyone at **Airbus Military**, **Airbus** and our suppliers whose unflagging efforts have made this enormous achievement possible, as well as our customers and **OCCAR** whose inputs over the years have been crucial to the success of the program.” The first **French** aircraft will initially be used for the continuing training of aircrew before becoming part of the **French Air Force** operational transport fleet.

The Turkish Air Force (TAF)’s first production A400M airlifter made its maiden flight on August 9, marking a key milestone towards its delivery. The aircraft (SN 009), took off from the **Airbus Military** plant near Seville, Spain. The **TAF** has sent pilots, loadmasters, and maintenance technicians to the **Airbus Military International Training Center** at Seville, for training. Turkey has ordered 10 A400Ms.

Airbus Military delivered the third and final A330 multi-role tanker transport (MRTT) to the **United Arab Emirates**. The **UAE**’s first crews have completed their training on the type. The **UAE** ordered the three MRTTs in February 2008, and received its first **Rolls-Royce** Trent 700-engined A330 tanker/transport in February 2013. The airplanes will be based at **Al-Ain Air Base**, and used to provide in-flight refueling support for its air force’s **Dassault** Mirage 2000-9s and **Lockheed Martin** F-16E/F fighters. The fighter pilots have already been trained in air-to-air refueling. The A330 MRTTs can also be used as passenger transports, with a cabin configured with up to 256 seats. "The first five A330 crews completed their training earlier this month, and the final five will begin training in September for completion in early 2014," **Airbus Military** said. The company has now delivered 17 A330 MRTTs to the air forces of Australia, Saudi Arabia, the UAE and the U.K. It also expects to secure contracts for the type from France and India.

Boeing will build as many as 12 additional C-17 airlifters in anticipation of signing new orders from international customers. This will extend the Long Beach, California production line by more than a year. The company said in its second quarter earnings report that it set aside \$620 million in inventory and potential termination liabilities for the next batch of aircraft. **Boeing**’s management decided in the second quarter to continue building C-17s beyond those aircraft already on contract for delivery through September 2014. If it builds all 12 white-tail C-17s, production will continue into the fourth quarter of 2015, based on current output of 10 per year. The C-17 production requires an 18-month lead time for early parts and materials, so the suppliers are already building long-lead time parts. The manufacturer is talking to possible new customers, Saudi Arabia and Singapore. Also India and Australia may increase their C-17 fleets.

Airbus Military delivered a new CN235 (SN C-208) medium transport to the **Cameroon Air Force** at a ceremony at the manufacturer's **San Pablo** final assembly site near Seville, Spain. The airplane was ordered in June 2012 and offers a maximum payload capacity of six tons and rough field operating performance. **Cameroon's** air force already operates three **Lockheed Martin** C-130H Hercules (built between 1977 and 1982), and one **Israel Aircraft Industries** Arava 202.

The U.S. Navy awarded **Boeing** a \$1.98 billion contract for 13 additional P-8A Poseidon aircraft, continuing the modernization of U.S. maritime patrol capabilities. The **Navy** will ultimately operate 117 P-8As and has now ordered 37 of them. The contract includes long-lead funding previously approved by the **Pentagon**. To date, 10 P-8As have been delivered. The Poseidon is based on the Next-Generation 737-800 commercial airplane, and provides anti-submarine, anti-surface warfare as well as intelligence,

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surveillance and reconnaissance capabilities. The P-8A is replacing the Navy's P-3 aircraft. The first operational aircraft will enter service by the end of the year. **Boeing** assembles P-8As in the same facility in Renton, where it builds its civil 737s, to take advantage of the efficiencies in the Next-Generation 737 production system. After initial assembly, the P-8As enter a separate mission system installation and checkout facility for final modifications and testing.

Indonesia signed a Memorandum of Understanding to acquire five **Lockheed Martin** C-130H Hercules tactical transports and associated equipment from Australia. Australia donated four C-130Hs to **Indonesia** last year. Three of those four C-130s are undergoing maintenance with **Qantas Defense Services** at the **Royal Australian Air Force's Richmond Air Base** in New South Wales. All four will be delivered by October 2014. The **RAAF** retired its last H-model Hercules in November 2012, after 34 years in service. A source said Indonesia will pay only A\$15 million (\$13.9 million) for the whole package of five C-130s, a simulator, spare parts and a support equipment package. Indonesia will use the C-130s to enhance its airlift capability, which supports humanitarian assistance and disaster relief operations. The country has an active fleet of 15 B- and H-model C-130s, and four commercial L-100 variants.

AIRCRAFT DELIVERIES & SALES

Airbus

Airbus A319. **Avolon** leased three A319-112s (SN 5678, 5698 & 5704) to **American Airlines** in July. The airplanes came from **Avolon's** backlog of four A319s and were not part of **American's** order for 130 A320 Family aircraft. **Airbus** delivered only 17 A319s from January through July.

Airbus A320. **Airbus** delivered 32 A320s in July. **AirAsia** took delivery of two -216/Ws (SN 5703 & 5706) and leased the first to **Thai AirAsia** and the second to **Indonesia AirAsia**. **IndiGo**, India, received two -232/Ws (SN 5676 & 5683), and **Cebu Pacific Air** accepted two -214/Ws (5669 & 5687). **South African Airways (SAA)** took delivery of its first two of 20 -232s (SN 5637 & 5680). The planes were ordered in 2010. **LATAM Airlines Group**, the holding company for **LAN** and **TAM** airlines, took delivery of two -214/Ws (SN 5686 & 5707) for **LAN** and two -214/Ws (SN 5664 & 5666) for **TAM**. **Airbus** delivered two -232s (SN 5697 & 5721) to **Tigerair** and two -214s (SN 5688 & 5702) to **easyJet**. **ICBC Financial Leasing** leased two -232s (SN 5645 & 5713) to **Chongqing Airlines** and one -214 (SN 5710) to **China Eastern Airlines**. **China Eastern** also leased two -214/Ws (SN 5668 & 5691) from

Jackson Square Aviation closed a second of three A320 purchase and leaseback transactions with **Jetstar Japan**. The aircraft (SN 5649) was delivered at the end of June; the first was handed over in May. **Jetstar Japan** contracted with five lessors for 24 sale and leaseback transactions that it will receive through 2015. The lessors also include **MC Aviation Partners** (five aircraft), **Century Tokyo Leasing** (six aircraft), **GECAS** (six aircraft), and **Hong Kong Aviation Capital** (four aircraft). The Japanese budget carrier now operates 15 A320s.

SMBC Aviation Capital leased a new A320-200 to **China Eastern** in August. This aircraft is part of the **SMBC-AC** direct order book with **Airbus**.

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SMBC Aviation Capital. China Southern Airlines acquired one **Tianjin FAL**-built -232 (SN 5579) and leased one -214 (SN 5693) from **Aircraft Purchase Fleet**. In China, **Air China** accepted **Tianjin FAL**-built -214 (SN 5568), and **Shenzhen Airlines** received **Tianjin-FAL**-built -214 (SN 5589). In Europe, **Lufthansa** accepted its 60th -200 (-214/W SN 5694), and **Iberia** leased one -216 (SN 5692) from **SMBC Aviation Capital**. Most of **Iberia's** A320s are operated by **Vueling**. **Airbus** delivered one -232/W (SN 5677) to **JetBlue** and one -232/W (SN 5672) to **Spirit Airlines**. Elsewhere, **Air New Zealand** took delivery of its second of 10 -232/Ws (SN 5682) equipped with **Sharklets**, **Air New Zealand** took delivery of its first of 10 -232/Ws (SN 5629) equipped with **Sharklets**, **GoAir** leased -214/W (SN 5675) from **SMBC Aviation Capital**, and **NAS Air** leased -214 (SN 5716) from **Aviation Capital Group**.

Aircastle sold three A330-243Fs (SN 1051, 1062 & 1115) to **HNA Group** in the second quarter of this year. The aircraft were delivered new to **Hong Kong Airlines** under 12-year leases between September 2010 and July 2011. **Citibank** arranged financing support from the French export credit agency **Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE)**. The **Bank of Tokyo Mitsubishi** also participated in the financing. **Aircastle** raised \$69 million under each ECA transaction, and recorded \$217 million in proceeds from the transaction and a \$14.7 million profit.

Airbus A321. **Airbus** delivered seven A321s in July, including two -211s (SN 5684 & 5696) to **US Airways** and two -231 (SN 5633 & 5689) to **Turkish Airlines**. **UTair** took delivery of its first new -211 (SN 5681) in July. The aircraft is part of a firm order for 20 A321s signed by **UTair** in July 2012. **Juneyao Airlines** accepted its first of three -211s (SN 5674), and **China Eastern Airlines** received -231 (SN 5705).

Philippine Airlines (PAL) took delivery of its first two Airbus A321-231s (SN 5715 & 5747) in August. The aircraft is the first of 44 A321s and 20 A330s ordered by the airline in 2012.

Airbus A330. **Airbus** delivered two -200s, one -200F and six -300s in July. **China Eastern Airlines** acquired its 17th of 21 -243s (SN 1429), and **Libyan Airlines** bought its second of four -202s (SN 1412). **Avianca** took delivery of -243F (SN 1428). The airplane was leased from **Wilmington Trust Co.**, trustee and is operated by **Tampa Colombia**. **AirAsia X** and **China Southern Airlines** each received their 11th -343Es (SN 1433 & 1430 respectively). **Air Lease Corp. (ALC)** leased -323E (SN 1435) to **Asiana Airlines** and **Intrepid Aviation Group** leased -343E (SN 1432) to **Sichuan Airlines**. **Malaysian Airlines** accepted -323E (SN 1431).

Airbus Celebrated the Delivery of the 1,000th A330 in July. The A330-343E (SN 1436), powered by **Rolls-Royce Trent 700** engines, was handed over to **Cathay Pacific Airways** at Toulouse. **Cathay Pacific**, together with its sister airline **Dragonair**, is the world's largest operator of the A330, with a total of 56 now in service. **Cathay Pacific Group** has outstanding orders for 10 more A330-300s.

AWAS placed one A330-223 (SN 296) on lease to **Windrose Airlines**. The aircraft came from **AWAS'** existing used aircraft portfolio. **Windrose Airlines** is a well-established Ukrainian charter operator based in Kiev that serves pan-European, South American, and Asian tourist destinations.

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Airbus A380. **British Airways (BA)** received its first of 12 -841s (SN 095) on July 3. **BA** is the tenth A380 operator. It will receive its second -841 (SN 121) in September, and the third in early 2013. All of **BA's** A380s will be powered by **Rolls-Royce Trent 900** engines.

Boeing

Boeing 737 NG. **Boeing** delivered 35 737s in July, including four -81B/Ws (SN 38949, 38950, 38957 & 38958) to **China Southern Airlines**. **American Airlines** received three -823/Ws (SN 31173, 33230 & 33488), and sold them to trustee banks for lease back. **United Airlines** bought two more -924ER/Ws (SN 31647 & 31649). **GOL Airlines** accepted two -8EH/Ws (SN 39620 & 39621) for a total of 80. **Boeing** delivered two -85C/Ws (SN 38401 & 38402) to **Xiamen Airlines**, and one -85N/W (SN 39112) **Shandong Airlines**. **Air China** received -89L/W (SN 40039), and sold it to **Shandong Airlines**. **Shanghai Airlines** accepted -86D/W (SN 37907), and **Hainan Airlines** took the only -700 to be delivered in July (-74P/W SN 39201). **Avolon** leased a third of four -89P/Ws (SN 40952) to **China Eastern Airlines**; it is being operated by **China United Airlines**. **SMBC Aviation Capital** received a new -8U3/W (SN 39929) from its order book and leased it to **Garuda Indonesia Airways**. **Virgin Australia Airlines** bought -8FE/W (SN 41012) and sold it to **SMBC** for lease-back. **AWAS** leased a third new 737-81D/W (SN 39431) to **Solaseed Air**, Japan, from its order backlog. **Okay Airways** leased a -8Q8/W (SN 41789) from **International Lease Finance Corporation (ILFC)**. **GECAS** took delivery of one -86N/W (serial number unknown). In Europe, **Air Berlin** received its 72nd -86J/W (SN 37781), **Air Europa** accepted its 19th -85P/W (SN 36593), and **Norwegian Air Shuttle** obtained its 67th -8JP/W (SN 39022). **Ukraine International Airlines/Goiania** acquired its first of four -9KVERs (SN 41534). The airline also leased two ex-Sky Airlines' -94XER/Ws (SN 36086 & 36087). **Boeing** delivered the first of 30 -81Z/Ws (SN 40104) to **Iraqi Airways**, and the 31st -8KN/W (SN 40281) to **FlyDubai**, in the Middle East. In the Asia Pacific region, the **Indian Navy** accepted its fifth -8FV/W – P-8I Poseidon (SN 40614), and it has three more on order. **Jet Airways** took delivery of -8AL/W (SN 39060), and **Qantas** accepted its 66th -838/W (SN 39372); it has eight more on order. **Malaysia Airlines** acquired its 21st -8H6/W (SN 40148), and **Lion Air** received its 18th -8GP/W (SN 38733). In the Americas, **Aeromexico** purchased its 11th -852/W (SN 36704) and it has five more on order.

FLY Leasing acquired another nearly new -800 in August, and it is on a long-term lease to a leading carrier in China. The acquisitions were financed with a combination of **FLY's** unrestricted cash and its aircraft acquisition facility. It was the sixth 737-800 and seventh aircraft **FLY** has acquired in 2013, **Colm Barrington**, CEO of **FLY**, said, "FLY is on a positive growth trajectory, having completed over \$375 million of acquisitions this year. The funds raised from our equity offering, combined with our aircraft acquisition facility and cash generated from our portfolio, provide us with the resources to take advantage of attractive growth opportunities as we seek to maximize shareholder value by growing per share earnings and cash flow."

GECAS purchased two new 737-800s from Turkish low-cost carrier, **Pegasus Airlines**, and leased them back to the airline. The two 737s came from **Pegasus'** existing order book with **Boeing** and were delivered in January and June.

SMBC Aviation Capital delivered a new 737-800 aircraft on lease to **Xiamen Airlines** in August. This aircraft is part of the **SMBC-AC** direct order book with **Boeing**. **SMBC-AC** delivered a new 737-800 aircraft on lease to **American Airlines**. This aircraft is the first delivery of an eight aircraft sale and leaseback transaction. The company also leased one used -86J/W (SN 37741) to **Globus**, and another

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used -86J/W SN 37740) to **Izair Airlines**. The US **Export-Import Bank (Ex-Im)** approved financing of four 737-8JP/Ws for **Norwegian Air Shuttle**. The financial support will either be a long-term loan or a loan guarantee, **Norwegian** has firm orders for 63 more 737-800s, plus an order for 100 737-MAX-8 aircraft.

IBA completed the sale of ex-**Privatair** BBJ (SN 34303) to a new customer. **IBA** was mandated in 2012 to exclusively remarket the aircraft, and **IBA's** technical team was engaged to manage the redelivery to the owner.

Boeing 747. **Boeing** did not deliver any 747s in July.

Boeing 767. **United Parcel Service-UPS** accepted two more -34AFs (SN 37870 & 37946) for a total of 58, and it has one more on order. The airline is installing **APB** blended winglets on its 767Fs.

Boeing 777. **Boeing** delivered one -28EER (SN 40199) to **Asiana Airlines**, and one -260LR (SN 43814) to **Ethiopian Airlines**. **American Airlines** accepted its ninth of 20 -323ERs (SN 41666), and **Air China** received -39LER (SN 38679). **BOC Aviation** leased its sixth -3ALER (SN 41525) to **Thai International Airways**. The lessor has two more -300ERs on order. **TAM Linhas Aereas** received its ninth of 12 -32WERs (SN 40589). **Emirates** acquired one -31HER (SN 38891), and **Garuda Indonesia** accepted the second of 10 -3U3ERs (SN 40075). **Garuda** sold its first -3U3ER (SN 40074) to **ALAFCO** and leased it back.

Boeing 787. **Boeing** delivered seven 787-8s in July. **Japan Airlines** received its 10th -8 (SN 34844). It has 15 more on order. **China Southern Airlines** took delivery of its second of 10 -8s (SN 34927), and **Hainan Airlines** received its first of nine -8s (SN 34939). **LOT Polish Airlines** acquired its fifth of eight -8s (SN 35939). **Boeing** delivered one -8 (SN 34830) to **United Airlines**, one -8 (SN 34743) to **Ethiopian Airlines** and one -8 (SN 38323) to **Qatar Airways**.

International Lease Finance Corporation leased the first 787-8 (SN 35306) to **Aeromexico** in August. The airplane is the first of nine 787-8s that **Aeromexico** will operate, including five on lease from **ILFC**. The airline will operate a total of 19 Dreamliners, including 10 787-9 models ordered last year. The 787s will be configured with 32 **Clase Premier** lie-flat seats and 211 seats in economy class. This was the 702nd new **Boeing** airplane **ILFC** has leased to its customers.

AWAS leased 767-3X2ER (SN 26260) to **Blue Panorama Airways**, based in Rome and Milan. **Blue Panorama** was founded in 1998 and operates eight 737 Classics and two leased 767s. **AWAS** leased one 767-33AER (SN 25535) to **EuroAtlantic Airways**, based in Portugal. It is a registered non-scheduled international airline with significant ACMI (aircraft, crew, maintenance, insurance) and charter contracts operating diverse routes in the North Atlantic (USA and Canada), Caribbean, Central and South Americas, Africa, Middle East, Pacific, Australia and Oceania. The airline was founded in 1993, and operates four 767-300ERs and one 777-200.

MD-80s. **SAS** finalized the sale of 12 MD-82/83/87 aircraft (SN 49383, 49605, 49606, 49607, 49609, 49611, 49642, 53010, 53011, 53165, 53337 & 53340) as well as 12 spare JT8D-217C/219 engines to **Allegiant Air**. The deal was made in April 2011 and the planes were retired as **SAS** received replacement aircraft. **SAS'** 13 remaining MD-80s and eight spare JT8D-217C/219 engines are now under a firm contract for sale. The last of the MD-80s will be handed over in the first quarter of 2015. Both transactions were arranged by **SkyWorks Leasing**.

Regional Jet

Bombardier delivered one CRJ900 NextGen (SN 15291) to **China Express Airlines** in July. **Garuda Indonesia** will take delivery of CRJ1000NG (SN 19036) in August.

Adria Airways sold one of their CRJ-200s (SN 8010) to **SCAT Air Company** of Shykment, Kazakhstan. The 2005-vintage aircraft is powered by **General Electric** CF34-3B1 engines. The deal was arranged by **Cabot Aviation**.

Sukhoi Interjet, Mexico, took delivery of its second Sukhoi Superjet 100 (SSJ100/95B SN 95024) in July. The plane was completed at **Alenia Aermacchi's** facility at **Venice Marco Polo Airport**.

Turboprop Aircraft

ATR. Malindo Air, Malaysia, 49 percent owned by **Lion Air**, Indonesia, took delivery of ATR 72-600 (SN 1089) in July. That airplane and **Malindo's** second -600 (SN 1095) were allocated to **Wings Abadi Airlines**. **LIAT** acquired its first -600 (SN 1091) from **ATR. Aeromar**, Mexico, long-term leased its second of two -600s (SN 1096) from **Air Lease Corporation (ALC)**. **Aer Arran** accepted two -600s (SN 1097 & 1098). **MAS Wings** received -600 (SN 1099).

Airstream International Group arranged the sale of ATR72-500 (SN 788) to the **Pakistan Navy** on behalf of **Air Botswana**. This is the fourteenth aircraft that **Airstream** has sold or placed on lease in 2013.

Nordic Aviation Capital A/S sold two ATR 72-500s (SN 799 & 818) to **Air Alsie Express**. **Nordic** also sold one ATR 72-212 (SN 349) to **Hawaii Island Air** in August. **Nordic Aviation Capital** is a global aircraft leasing company dedicated to the worldwide sale, purchasing and financing of commercial jet and turboprop aircraft.

Bombardier. WestJet Encore took delivery of the third Dash 8Q-402 NextGen (SN 4448) in August.

EADS delivered two C295s (SN 098 & 100) to the **Indonesian Air Force** in July.

Embraer. Fuji Dream Airlines took delivery of one EMBRAER 170-100 STD (E175) (SN 17000631) in June. **J-Air** accepted E170 (SN 17000362) in July. **Republic Airlines** accepted three E175s (SN 17000363, 17000364 & 17000365). **GECAS** leased EMBRAER 190-100 IGW (E190) (SN 19000593) to **Air Costa** in June. **JetBlue Airlines** received one E190 (SN 19000629). **Azul** acquired two EMBRAER 190-200 IGWs (E195) (SN 19000620 & 19000626), and leased E195 (SN 19000625) from **GECAS**. In July, **Azul** received another E195 (SN 19000628). **Embraer** delivered three E190s (SN 19000589, 19000602 & 19000614) to **Ukraine International Airlines**. **Azerbaijan Airlines (AZAL)**, the national airline of Azerbaijan, received the first of four E190s (SN 19000627). The other three aircraft will be delivered by the end of the year. The airline bought two 76-seat E170s from **ECC Leasing**.

Antiques and Other Junque

GA Telesis purchased ex-**GOL Airlines** 737-76Q (SN 30273) for dismantling. The aircraft was delivered in 2001 and it entered the **GA Telesis** disassembly production line in the U.S. in July. The aircraft component sales will be led by the **GA Telesis** supply chain and global sales teams.

Three GECAS 737-85Rs (SN 30407, 30408 & 30409) were deregistered as “permanently retired” and were parked at Greenwood, Mississippi. The planes were delivered to **Jet Airways** in 2002 and were retired in March and April 2013.

GE Capital Aviation Services Asset Management Services (GECAS AMS) will dismantle a current generation **Rolls Royce**-powered 777-200. The aircraft is currently being torn down at **GECAS AMS’** facility in the U.S.

Accidents and Safety

From Aviation Safety Foundation

United Parcel Service Airbus A300F4-622R, (N155UP, SN 841) crashed short of **Birmingham-Shuttlesworth International Airport**, Alabama, and burst into flames on August 14. Both pilots were killed. The freighter was on final approach when it descended too quickly, clipped the trees near a residential area and crashed into a steep embankment well short of the runway. The auto pilot and auto throttle were engaged when the plane crashed the **National Transportation Safety Board** said. The flight data recorder has been recovered and it is being analyzed.

An Ethiopian Air Force Antonov An-12 (registration and serial number unknown) crashed at Mogadishu airport in Somalia, on August 9. Four crew members were killed, and two were injured. The military transport was carrying ammunition for Ethiopian troops that are supporting Somalia’s fight against **al Qaeda**-linked militants, the **al Shabaab**.

Ukraine Air Alliance Antonov An-12BK (UR-CAG, SN 9346904) caught fire at **Leipzig Airport**, Germany, on August 9. The crew started the engines and then the center section of the plane burst into flames. The seven crew members evacuated safely as the An-12 burned out. The freighter was to fly to **Mineralnye Vody Airport**, Russia.

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.

Sample of Avmark Publications

SMALL TRANSPORT AIRCRAFT CATALOG

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

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

Fast dynamic and fastest growing segment in the world using old generation propeller aircraft to 90 million passengers using state of the art

Airline Association (RAA):

Aviation:

DOT:

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Dornier 328	74
Dornier 328JET	78
Dornier 728JET	82
de Havilland DHC-6	86
de Havilland DHC-7	90
de Havilland DHC-8 100/200	93
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Fokker 50	128
Fokker 70	132
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Saab 340	140
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Shorls 330	148
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ATR 42-300

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

Specifications	
Accommodations	
Passengers*	46
Pilot	2
Cabin Attendants	1
Powerplant	
2 Pratt & Whitney PWC120 Turboprops	1,800 SHP / 1,342 kW
Hamilton Propellers	4 blades
External Dimensions	
Length	74 ft 5 in
Wingspan	60 ft 7 in
Height	24 ft 11 in
Weight	
Empty	48,815 lb
Max Ramp	56,105 lb
Max Takeoff	53,510 lb
Max Landing	22,875 lb
Max Ramp	10,325 lb
Max Takeoff	9,920 lb
Max Landing	40.53 lb / sq ft
Max Ramp	10.23 lb / cu ft

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

Optional Equipment: KLN 900 GPS/W, FMS, Area Navigation (RNAV), Microwave Landing System, VLF Omega Long Range Navigation System, Dual Honeywell AZ-800 Digital Air Data Computers, PA System, HF Radio, Collins Avionics in place of King Avionics, CAT II.

Avionics: EDZ 820 Electronic Flight Instrument System (EFIS) - 4 CRT's for dual Attitude and Heading Reference Systems (AHRS), Dual Autopilot, Dual Computer (ADC), 1 CFZ 600 Automatic Flight Director, Dual King Gold Crown VHF Nav, Radios, DME, Radio Altimeter, Honeywell P-800 Weather Radar.

Price List

Years Built	Base (\$ mil)
85-99	2.0

ATR 42-300 85-99 2.0

Direct Operating Costs (\$ per block hour)

Utilization (Block Hours / Year)	
Average Stage Length (nm)	100 300
Flying Operations	
Flight Crew, Salaries / Expenses	\$198 \$188
Fuel, Oil, Taxes	\$173 \$162
Other	\$3 \$3
Aircraft Costs	
Insurance	\$3 \$3
Maintenance	\$478 \$415
Depreciation	\$62 \$62
Rentals	\$318 \$318
Total Direct Operating Costs	\$806 \$683
Cost per Available Seat Mile - \$	12.33 8.65
Cost per Airplane Mile	\$5.67 \$4.44
Cost per Seat Block Hour	\$16.67 \$15.1

Note: Data from DOT Airline Reports.

ATR 42-300

PAYLOAD VS. RANGE

Range (nm)

Distance (nm)

ATR 42

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

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

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

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

TYPICAL CABIN CONFIGURATION

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

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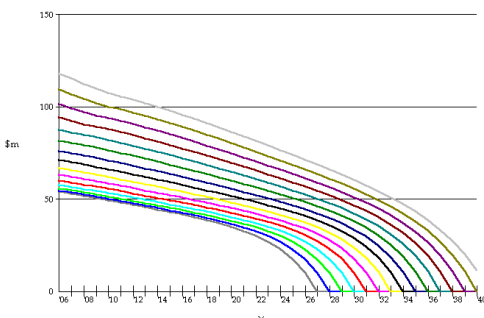
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CAVAS Graph



Profit & Loss Report		Airbus A340-300				
Period		1	2	3	4	5
REVENUES (US\$)						
Passengers	49,328,754	49,270,739	49,212,559	49,154,213	49,095,701	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	1
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	6,917,340	6,915,470	6,913,177	6,910,945	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					

Profit & Loss Report		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	1
Other Overhead	0	0	0	0	0	
TOTAL FIXED COST	522,892	697,747	871,835	1,045,156	1,217,711	1
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	1,680,303	1,716,455	1
TOTAL COST	33,037,722	33,795,036	34,548,781	35,298,359	36,045,559	36
OPERATING PROFIT OR LOSS	26,156,782	25,329,851	24,506,290	23,686,100	22,869,282	22
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	22
AIRCRAFT LIFE ADJ. CASH FLOW	25,841,782	25,329,851	24,506,290	23,686,100	22,869,282	22

Select Aircraft Type

Available Aircraft

- Airbus A300B4-600R
- Airbus A300B4-600RF
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- 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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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	52.85	53.49	54.70	56.56	58.99	62.01	65.62	69.95	74.86	80.37	85.92	92.18	99.12	106.73	115.25
2008	51.68	52.36	53.61	55.43	57.85	60.84	64.42	68.69	73.65	79.18	84.76	90.48	96.97	104.20	112.39
2009	50.49	51.19	52.46	54.29	56.70	59.67	63.24	67.50	72.44	77.95	83.52	89.38	95.97	103.47	111.80
2010	49.28	49.99	51.27	53.10	55.50	58.46	62.01	66.25	71.17	76.66	82.32	88.28	94.97	102.73	111.25
2011	48.05	48.77	50.05	51.88	54.27	57.22	60.76	64.99	69.90	75.38	81.04	86.90	93.87	101.83	110.50
2012	46.80	47.52	48.80	50.63	53.01	55.95	59.48	63.70	68.60	74.07	79.72	85.58	92.75	100.90	109.75
2013	45.53	46.25	47.52	49.35	51.73	54.66	58.18	62.39	67.28	72.74	78.38	84.24	91.51	99.86	108.90
2014	44.24	44.96	46.23	48.05	50.42	53.34	56.85	61.05	65.93	71.38	76.91	82.76	89.22	97.77	107.00
2015	42.93	43.65	44.92	46.74	49.10	52.01	55.51	59.69	64.56	70.00	75.52	81.37	87.93	96.67	106.00
2016	41.60	42.32	43.59	45.40	47.75	50.65	54.14	58.31	63.17	68.59	74.09	79.84	86.60	95.53	105.00
2017	40.25	40.96	42.23	44.04	46.38	49.28	52.76	56.92	61.77	67.18	72.68	78.42	85.28	94.40	104.00
2018	38.88	39.59	40.85	42.65	45.00	47.89	51.36	55.51	60.35	65.75	71.24	76.97	83.92	93.20	103.00
2019	37.49	38.20	39.45	41.25	43.59	46.47	49.93	54.07	58.89	64.28	69.75	75.48	82.62	92.10	102.00
2020	36.08	36.79	38.03	39.82	42.15	45.02	48.47	52.60	57.41	62.79	68.34	74.05	80.38	90.00	100.00
2021	34.65	35.36	36.60	38.38	40.71	43.57	46.99	50.99	55.67	60.93	66.54	72.38	78.54	88.50	98.50
2022	33.20	33.91	35.14	36.91	39.23	42.08	45.48	49.46	54.12	59.36	64.95	70.77	76.91	87.00	97.00
2023	31.73	32.44	33.66	35.42	37.73	40.57	43.96	47.92	52.56	57.78	63.35	69.15	75.26	85.50	95.50
2024	30.24	30.95	32.16	33.91	36.21	39.04	42.42	46.37	50.99	56.19	61.74	67.52	73.61	83.90	94.00
2025	28.73	29.44	30.64	32.38	34.67	37.49	40.85	44.79	49.39	54.57	60.01	65.68	71.66	82.00	92.00
2026	27.20	27.90	29.09	30.82	33.10	35.90	39.24	43.15	47.73	52.89	58.41	64.16	70.22	80.70	90.70
2027	25.64	26.34	27.52	29.24	31.52	34.30	37.62	41.41	45.97	51.11	56.61	62.34	68.38	78.90	88.90
2028	24.06	24.75	25.92	27.63	29.90	32.66	35.96	39.73	43.95	48.95	54.43	60.00	65.74	76.30	86.30
2029	22.46	23.14	24.30	26.00	28.25	31.00	34.28	38.03	42.23	47.21	52.66	58.25	63.96	74.50	84.50
2030	20.84	21.51	22.66	24.35	26.58	29.31	32.56	36.29	40.47	45.43	50.85	56.42	62.10	72.60	82.60
2031	19.20	19.86	21.00	22.68	24.90	27.61	30.83	34.54	38.70	43.64	49.03	54.59	60.24	70.70	80.70
2032	17.54	18.19	19.32	21.00	23.20	25.90	29.10	32.79	36.93	41.85	47.21	52.74	58.34	68.80	78.80
2033	15.86	16.50	17.62	19.29	21.48	24.16	27.34	31.01	35.13	40.03	45.37	50.88	56.44	66.90	76.90
2034	14.16	14.79	15.90	17.56	19.73	22.40	25.56	29.21	33.31	38.19	43.51	49.00	54.54	65.00	75.00
2035	12.44	13.06	14.16	15.81	18.00	20.65	23.79	27.41	31.58	36.44	41.74	47.12	52.59	63.00	73.00
2036	10.70	11.31	12.40	14.04	16.20	18.83	21.93	25.53	29.68	34.52	39.80	45.18	50.63	61.00	71.00
2037	9.04	9.64	10.72	12.35	14.50	17.10	20.18	23.76	27.89	32.70	38.05	43.42	48.82	59.20	69.20
2038	7.36	7.95	9.02	10.63	12.76	15.32	18.38	21.94	26.05	30.84	36.17	41.54	46.92	57.30	67.30
2039	5.66	6.24	7.30	8.90	11.00	13.52	16.56	19.60	23.68	28.45	33.74	39.04	44.42	54.80	64.80
2040	3.94	4.51	5.56	7.15	9.23	11.72	14.74	17.75	21.80	26.54	31.81	37.10	42.48	52.80	62.80
2041	2.20	2.76	3.80	5.38	7.44	9.92	12.92	15.86	19.83	24.52	29.76	35.02	40.30	50.70	60.70
2042	0.44	0.99	2.02	3.60	5.64	8.11	11.06	14.46	18.28	22.50	27.00	32.34	37.60	47.90	57.90

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