

AIR TRANSPORT MAX KINGSLEY-JONES / PARIS

GECAS kicks off A380 discussions

Lessor shows "significant" interest in ultra-large airliner

US leasing giant GE Capital Aviation Services (GECAS) is in talks to become the next lessor to join the Airbus A380 programme, either through deals to finance existing orders or by placing its own commitments.

GECAS had been among the early potential A380 customers, but its initial interest was never firmed up, leaving International Lease Finance (ILFC) as the only leasing company to order the A380.

"We have an interest in the A380 which I expect will be significant now," says GECAS president Henry Hubschman. He says that talks have been held with Airbus about the A380, and if it offered "a deal that made sense then we could do something with them".

Hubschman says the lessor is separately in discussions with existing A380 customers about various financing options for aircraft already on order.

"We have held talks with several A380 customers about financing," says Hubschman, adding that, although the discussions are preliminary, "I would expect to start in-depth talks and these things can come together quickly". Options under consideration for on-order

A380s include sale and leaseback operating lease deals, longer-term financial leases or debt financing.

GECAS met three A380 launch airlines during last week's Paris air show to discuss financing deals, one of which is known to have been Emirates. The Dubai-based airline's chief director Tim Clark says that, following last week's A380 deal that took its orderbook to 43 aircraft (plus two ILFC leases), it is looking at various options for controlling its capacity expansion, one of which could involve sale and leaseback deals. "We're talking to GECAS," he says.

GECAS traditionally orders and finances aircraft powered by General Electric or CFM International engines, suggesting the lessor would only be interested in doing deals with A380 customers that have selected the GE-Pratt & Whitney Engine Alliance GP7200, rather than the Rolls-Royce Trent 900.

Hubschman declines to comment on whether the lessor would favour GP7200 customers, but observers say that any GECAS involvement in the A380 is likely to provide a boost to the Alliance in the battle to power the 550-seater.

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Korean surprise for Airbus

Airbus racked up 29 commitments for the ultra-large A380 during last week's Paris air show, as Emirates confirmed its order for 21 more aircraft and Korean Air (KAL) revealed a surprise deal for up to eight aircraft.

Emirates placed firm orders for 21 A380s worth \$5.9 billion at list prices. It has also taken two from International Lease Finance's existing order – the first lease placement for the 550-seater. The deal, part of \$19 million worth of orders which include A340-500/600s and Boeing 777s, increases the airline's A380 commitment to 45 (including two freighters), for delivery from October 2006. Delivery of the new batch will begin in 2007.

Although the original batch of 22 aircraft will be powered by the General Electric-Pratt & Whitney Engine Alliance GP7200, industry sources suggest the airline is seriously considering a split on the engine supply, and Rolls-Royce has confirmed it will bid.

KAL signed a memorandum of understanding for five firm A380s worth \$1.4 billion, plus three options, taking total A380 orders and commitments to 129. Deliveries will run between late 2007 and 2009.

SEE PARIS SHOW REPORT P17 AND AIR TRANSPORT P34

Briefing

Eurofighter cleared for service

DELIVERY The Eurofighter Typhoon has been cleared to enter service with Germany and the UK on 30 June, when the European consortium will hand over the first of 22 aircraft due to be delivered this year to programme members Italy, Germany, Spain and the UK. Italian and Spanish deliveries will begin in the fourth quarter. There are already 110 aircraft in production, with 38 in the final stages of assembly. At service entry the aircraft will be able to fly almost the entire envelope, but initially will be limited to 8.2g instead of 9g.

Opening skies talks

BILATERALS A preliminary timescale and framework for transatlantic open skies talks are set to be agreed at the European Union-USA summit meeting in Washington DC this week. The US Federal Aviation Administration is pushing for a slow pace to negotiations citing safety concerns over the transition to a new air safety agency in Europe, with US carriers lobbying for a phased approach to any change. FAA administrator Marion Blakey had informal talks last week in Brussels with her European counterparts including European Commission vice-president Loyola de Palacio, whose transport department will lead negotiations with the USA after receiving a mandate from Europe's transport ministers earlier this month.

Australia delays Wedgetail follow-on

SURVEILLANCE Australia is deferring a decision on acquiring additional Boeing Wedgetail airborne early warning and control (AEW&C) aircraft. Negotiations are under way to extend options for an initial two extra platforms that had been due to expire on 30 June. Australian Defence Materiel Organisation head of airborne surveillance projects Air Vice Marshal Norm Gray told Senate budget hearings earlier this month that Boeing has agreed to a 12-month extension. Australia placed a four-aircraft launch order for the Boeing 737-based AEW&C platform at the end of 2000. The deal included options for an additional three Wedgetails. At that time, Australia purchased six mission systems to reduce the cost of exercising the initial option.

Thales amalgamates Canadian operations

STRATEGY In an effort to strengthen its Canadian operations, Thales has grouped its Montreal, Ottawa and Halifax divisions under a single administrative head office in Montreal. It has also appointed as Thales Canada chairman Pierre Jeannot, former director general and chief executive of the International Air Transportation Association. The strategy is being implemented by Thales in other countries and will give the company better visibility with the government and other customers, says Jean-Pierre Mortreux, president of Thales Canada.

IAI to supply avionics for Korean Ka-32s

EQUIPMENT South Korea will equip its Kamov Ka-32 helicopters with avionics manufactured by Israel Aircraft Industries (IAI). The seven aircraft, valued at \$10 million, were sold by Russia to help clear part of its debt to South Korea. IAI is using the Korean deal as a platform to market its avionics to other countries operating the Ka-32.

Easing SARS triggers mixed reaction

RECOVERY Some Asian carriers are reporting a slight improvement in demand as the SARS outbreak eases. They are slowly restoring suspended services, although most expect the recovery to take months. Cathay Pacific Airways says demand has picked up since the World Health Organisation lifted an advisory warning against travel to Hong Kong at the end of May. The airline suspended nearly half its scheduled passenger services in June and grounded 22 aircraft, but plans to return some to service in July, when frequencies will be increased across its network. Singapore Airlines, reporting a 60% year-on-year drop in the number of passengers carried in May, says loads are far from the pre-SARS levels and it is "still too early to conclude that a recovery is on hand".