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ISTAT

# Jetrader

International Society of Transport Aircraft Trading

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13th European Conference

## ISTAT in Monaco

Q + A Hafthor Hafsteinsson  
Avion Group

Airbus :: A380 Progress Report

# Jetrader

Jetrader is a bi-monthly publication of ISTAT, the International Society of Transport Aircraft Trading. ISTAT was founded in 1983 to act as a forum and to promote improved communications among those involved in aviation and supporting industries, who operate, manufacture, maintain, sell, purchase, finance, lease, appraise, insure or otherwise engage in activities related to transport category aircraft.

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# Wanted

## Nominations for Open Seats ISTAT Board of Directors

We are now accepting nominations for the election of three open Board seats at this year's Annual Conference in Phoenix. If you are interested, please email your CV to any of the Board officers listed below.

**Nominations must be received no later than February 16, 2007**

Please consider volunteering at this time for any of the other opportunities to assist/support ISTAT or the ISTAT Foundation such as membership growth, raffle tickets, silent auction items or Jetrader articles.

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## CORRECTION ::

My recent article concerning Political Risk Insurance was intended to enlighten readers on this somewhat obscure, but critically important coverage topic. To simplify the discussion, I created a mythical new company, Flying High Leasing, and set the scene in the mythical nation of Uraldovia. Regrettably, Uraldovia's mythical airline, Uraldovian Airlines, was represented in the article as Ural Airlines. This was entirely my error for which I am very remorseful. My apologies to all the hard working and sincere people connected with Ural Airlines.

Donald G. Kenny, Senior Vice President, Falcon Insurance Services

cover photo | ISTAT European Conference 2006 :: Barbara Rogers  
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Dear Fellow Members,

As we approach the 2006 Holiday Season and file away our memories of the ISTAT Receptions (Singapore and London) and ISTAT Conferences (Orlando and Monaco) we find our industry blessed with overflowing order books, strong traffic demand, fuel prices relatively stable, and favorable capital markets. It would seem that 'ole St. Nick has been busy all year long passing out prosperity. We hope your membership in ISTAT and your participation in some of these events has brought you one more deal, or an idea or a contact that has saved you money.

The ISTAT 13th European Conference had record attendance of over 300 participants at the magnificent venue of Monaco. Stressing the "I" in ISTAT, the meeting was a resounding success which brought together members from 27 countries from around the globe. Through these events, we come together as a community of aviation professionals to network, renew friendships and get energized about our industry. On behalf of the ISTAT Board, I offer our sincere gratitude to those sponsors who helped make this event possible - Airbus, Avion Group, Boeing, GOAL and West LB. Finally, I offer my personal thanks to our exceptional Conference Chairman Peter Huijbers. Peter's tireless efforts and amazing dedication has driven our continued growth and success of this conference. We are currently reviewing alternative sites for our 2007 venue and should be announcing it soon. In Monaco and via an online survey, we requested from our members, for the first time, feedback on your preferences for selecting a conference location. We appreciate the responses received and plan to continue, when appropriate, to reach out directly to the membership to gain your insight about ISTAT.

We have included in this issue, for your review, a copy of the 2005 ISTAT and ISTAT Foundation Statements of Financial Position, Activities and Cash Flows as prepared by our outside audit firm. In keeping with good business practices, ISTAT and the Foundation participate in an audit annually and provide this information to our membership.

As the final days of 2006 draw to a close, we are busily working through the budgeting process and event planning for calendar 2007. We are in negotiations for the venue for our bi-annual Paris Air Show Reception to be held on 18 June 2007 and plans are well underway for an exciting 24th Annual Conference 11-13 March, 2007 at the Marriott Desert Ridge Resort + Spa in Phoenix, Arizona. Registration materials for the annual meeting will be available online in December, so visit the ISTAT website at [www.istat.org](http://www.istat.org) for the most up to date information. If you are interested in participating as a sponsor or exhibitor, please contact the ISTAT offices for more information at [ISTAT@istat.org](mailto:ISTAT@istat.org).

Are you seeking a way to give back to your industry some of the rewards it has bestowed on you? If so, by volunteering some of your time, energy and ideas to ISTAT, you can maximize your membership in ISTAT and help chart the course for your organization. We are currently accepting nominations for three positions on the ISTAT Board of Directors which will be open this March. If you are interested in running, please contact one of the four ISTAT Officers listed on the previous page. Nominations will be accepted through 16 February 2007. Any ISTAT member who is eligible and interested in running for a position on the Board of Directors is encouraged to actively submit their name for consideration.

My best wishes to each of you and your families for a safe, happy and productive holiday season and a healthy start to the New Year!

Thomas W. Heimsoth  
ISTAT President



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**Hafthor  
Hafsteinsson**  
CEO  
Avion Group



... the Atlantic market  
... is interesting  
because of the low  
cost business carriers  
like EOS, Maxjet and  
also Silverjet starting  
up in the New Year

**JETRADER:** Good Afternoon Hafthor. Thank you for taking time to talk with the JETRADER. Could you give us your forecast for fuel prices for 2006-2007?

**Hafsteinsson:** We've seen a rapid drop this year from August \$77 to October \$58 a barrel. Market analysts say that the fast drop is because of traders cutting long positions and selling by hedge funds and some say there is a political influence because of the US elections. Anyway, I don't think that fuel prices will go much down below current levels in 2007, perhaps only for a short period.

**JETRADER:** How does Avion plan to respond to these forecast for 2007?

**Hafsteinsson:** Our group was hedged until end of October this year but we decided some time ago to go with the flow and bet on lower fuel prices and not hedge for this winter and summer 2007. Some airlines are locked in for winter at higher prices because of premature hedging.

**JETRADER:** What is the competitive environment for pass through pricing of fuel increases to customers/passengers?

**Hafsteinsson:** There has to be a provision in contracts between charter airlines and tour operators to apply fuel surcharges otherwise the airline in questions will have a huge exposure. LCCs and scheduled airlines can apply fuel surcharges to the consumer; the traveler doesn't have a choice. Obviously there is a limit on what tour operators and traveling public will accept and beyond that limit all airlines are exposed.

**JETRADER:** How will the uncertainty of fuel prices affect the aviation industry growth forecasts for 2007?

**Hafsteinsson:** I don't think it will affect the growth because we will hopefully see a more relaxed environment on fuel prices in 2007 compared to the last two years.

**JETRADER:** As a specialty air carrier, what do you see as growth for the next 18 months?

**Hafsteinsson:** The growth will be as before in LCC airlines, existing ones, new independent startups and new divisions of scheduled carriers trying to adapt to the LCC model on domestic and regional routes.

**JETRADER:** What do you foresee as the impact of the growth of LCCs worldwide? In the Atlantic Market?

**Hafsteinsson:** You mention the Atlantic market which is interesting because of the low cost business carriers like EOS, Maxjet and also Silverjet starting up in the New Year. These carriers are all trying to get a slice of the lucrative business traffic between the UK and USA from the scheduled carriers. I have traveled on EOS and I was very impressed with the product and felt I got value for money, traveling first class at affordable pricing. Maxjet is a different product, standard business class at a low price but don't expect a great quality in

product and service. Silverjet will probably have a third product which is in between the two.

**JETRADER:** What is the impact on LCC's of future consolidation/cooperation among the mid-sized operators (i.e., Air France/KLM Lufthansa/Swiss Air)?

**Hafsteinsson:** I don't think it will have a great impact on the LCCs. The scheduled carriers haven't been successful with their low cost divisions because of operating environment restrictions such as pilot unions etc. The only impact will be with the scheduled carriers offering temporarily lower rates on routes attacked by the LCCs.

**JETRADER:** What is your view on the use of Chapter 11 as a "business instrument" by various carriers to force a lower cost?

**Hafsteinsson:** The Chapter 11 instrument is something that European carriers and aircraft traders in general dislike and does not help creating an equal footing competitive environment between US and non-US airlines. For aircraft traders it can be nightmare being stuck with an asset or being forced into something that was never intended under the dry lease agreement.

**JETRADER:** Is Avion Aircraft Trading just a group aircraft acquisition arm? Or will it participate in 3rd party related transactions?

**Hafsteinsson:** Avion Aircraft Trading is buying and selling aircraft to third party with a focus on wide body cargo aircraft. We also acquire and handle dry leases for our group carriers but the third party business will be the main business.

**JETRADER:** What is Avion competitive advantage?

**Hafsteinsson:** Our competitive advantage is our flexibility because of the diversified and global business model. With partnerships and investments around the globe we can move assets between continents based on the countercyclical markets.

**JETRADER:** How does Avion compete against other LCCs?

**Hafsteinsson:** We don't really compete with the LCCs. Our products out of the UK, France and Germany are more package holidays then seat only. We make our money from the value added products not airline seats except for last minute seat only.

**JETRADER:** What is the future of tour operators and charter operations as LCC's continue to lower the cost of traveling?

**Hafsteinsson:** They will be concentrating on package holidays. However, LCCs are offering more products on their websites to compete with the tour operators so ultimately it will become one market segment. Charter Airlines will be under tremendous pressure to lower their cost structure.

# Airbus :: a report on the A380's progress

By Thomas Bürger, Senior Marketing Analyst, A380 Customer Affairs

**A**irbus expects to capture around half of the market for new large passenger and cargo aircraft by offering – and delivering – an aircraft that carries a third more passengers or cargo further, using 13% less fuel and generating 15% lower seat operating costs, while being able to take-off and land on a shorter runways and creating half as much noise as its closest competitor.



So has the A380 turned out to be marketing hype and a bit of a white elephant, or a genuine breakthrough in aviation technology and a sound financial investment on which to build the company's future?

Despite delays to initial deliveries while Airbus resolves industrialisation issues concerning series production, programme critics are being forced to rethink. The feedback from over 2,000 hours of flight testing, including the extensive airport compatibility testing, customer demonstration flights and the first long-haul passenger flights all paint a very different picture from the grim headlines attracting attention in many newspapers and magazines. In fact, all of the tests and early customer feedback clearly demonstrate that the A380 is a truly exceptional product - meeting and in many cases exceeding, all performance and handling expectations.

## Airports

Perhaps the most surprising thing about the A380 is that while its impact on the future of air transport will be enormous, its impact on airports and operators will be relatively minor. This is because, despite all the media hype about how big it is, the aircraft has repeatedly demonstrated how easily it fits into existing infrastructure.

This is the result of a decade of close collaboration between Airbus, airports and ground handling companies around the world. As Willy Pierre Dupont, Airbus Director of Infrastructure and the Environment for the A380 programme explains: "This is the first time in history that an aircraft manufacturer has spent so much time working with airports to make it easier on the ground. We put a lot of effort into designing the A380 in such a way that it could be operated much like any other widebody aircraft."

This unprecedented level of pre-planning for ground handling of a new aircraft type has ensured that although airports will be able to benefit from in-



Photo provided :: Airbus

creased passenger capacity and revenue potential, the need to invest in new infrastructure or equipment has been minimised. In fact, the A380 can actually be handled with 90% standard ground handling equipment and, despite all the extra passenger capacity, it will still offer a turnaround time of just 90 minutes, comparable to that of the largest commercial aircraft operating today.

Some 60 airports expect to be handling the A380 by 2011; so all eyes were on Frankfurt last October when the aircraft touched down to begin a series of airport compatibility tests. The A380 has since landed at more than 20 airports around the world, including Sydney, Singapore, Kuala Lumpur, Heathrow, Dubai and even smaller, provincial airports such as Tarbes in the south of France, to demonstrate its ability to be handled at almost any airport.

The tests have confirmed that with a lower approach speed and better take-off, landing and climb performance than today's largest aircraft, the A380 performs in much the same way as any other widebody aircraft operating today. And, thanks to better ground manoeuvrability and pavement loading than aircraft such as the A340-600 and the 777-300ER, there are no problems taxiing the A380 either.

**"...all of the tests and early customer feedback clearly demonstrate that the A380 is a truly exceptional product"**



But one of the most common comments to be made following compatibility tests has been how quiet the aircraft is, as it generates just half the noise energy of the largest commercial aircraft in service today. This is because the A380 is the first aircraft designed and guaranteed to meet stringent local noise limits (QC2 departure, QC1 arrival at London), leaving significant margins to current and future international guidelines.

Although airport compatibility testing is not actually required as part of certification, the experiences will help to ensure the smoothest possible entry into service.

In terms of ground handling, of the 21 pieces of equipment that are required to service the aircraft in the most efficient way, 19 are standard widebody aircraft units, which can be found on any airport ramp today.

The only two new items are an upper deck catering vehicle, which allows direct access to the large upper deck galley in order to further reduce turnaround times, and due to the aircraft higher ramp weight, a more powerful tow tractor.

Although these two pieces of equipment are not essential, they do offer significant benefits - providing direct access to the upper deck saves over half an hour on the most critical turnaround path - and both vehicles are fully compatible with existing widebody aircraft.

While some airline specific fine-tuning of procedures will be required before entry into service,



the fact that all ground handling equipment has already been fully tested on the A380 will help to eliminate the steep learning curve that typically accompanies the introduction of a new aircraft type.

The experience gathered to date has been extensively documented and shared at conferences and multi-lateral meetings as well as provided to A380 customer airlines to enable them to relay the information to their service providers.

#### Airline

As with airport compatibility testing, pilot demonstration flights are not a requirement of certification, but also constitute an important milestone: after all pilots from around the world were amongst those who fundamentally shaped the A380, so their first impressions were critical.

**"This is the first time in history that an aircraft manufacturer has spent so much time working with airports to make it easier on the ground."**

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Accompanied by flight test teams from Airbus, 50 pilots from 11 customer airlines have all been able to fly the A380 ahead of the start of their formal training, while further demonstration flights already scheduled with other launch customers.

And to date, the pilots have had nothing but praise for the aircraft, having been particularly impressed by its sprightly performance, easy handling characteristics and the familiarity of the cockpit and controls.

FedEx pilot Captain Mike Padron, Managing Director Flight Training, who had never flown an Airbus aircraft before, explained: "It looks big, but it handles like a fighter - very manoeuvrable. It far ex-

ceeded expectations and it is a beautiful product."

And with A380 crew training getting underway in Toulouse, pilots who have already flown Airbus aircraft are discovering a real sense of familiarity. Kingfisher Airlines pilot Captain Singh Jaghir Jamwall, who currently flies A320s, was amazed by just how easy transferring to the A380 was: "In the cockpit, I felt it was an A320 with some more features."

**"In the cockpit, I felt it was an A320 with some more features."**



**WY Maeng, Senior VP Flight Operations with Korean Air, said: "Even if it was my first time, it was very easy and comfortable to take off and land."**

ceeded expectations and it is a beautiful product."

Pilots from Korean Air were also newcomers to Airbus fly-by-wire technology, but were confident that any pilot can make a smooth transition to flying the A380. WY Maeng, Senior VP Flight Operations with Korean Air, said: "Even if it was my first time, it was very easy and comfortable to take off and land."

The sophisticated yet user-friendly new technologies found in the cockpit, such as the onboard information systems and interactive multifunction displays also drew praise. Captain Leong, DY Chief Pilot A340 Operations Division for Singapore Airlines who currently flies A340-500s said: "I especially like the radio management panel, the lighting and the screens which are easy to see and good to work with - it's very comfortable."

The introduction of new technology also struck Qantas Training Captain Steve Ager, who liked "the way that Airbus has been able to integrate the new technology and still make the pilot feel at home," - a sentiment echoed by Air France pilots Jean-Marc Ferraud, who usually flies the A330 and A340, and Jacques Verrière, who flies the A320 Family. They were impressed by how easily they adjusted to the aircraft

## Passengers

With such glowing feedback on the performance of the A380, the test programme was ready to start moving onto cabin testing and passenger flights.

The A380 has the largest and most complex cabin produced by Airbus so far and will introduce new levels of comfort and in-flight services. With this in mind, rigorous testing both on the ground and in the air is essential to ensure maturity at entry into service.

The first A380 to fly with passengers (albeit Airbus employees) was MSN2, one of five aircraft in the flight test programme, which is equipped with a four-class 474-seat cabin. The cabin was designed as a development platform to test features such as air conditioning, safety systems, lighting, in-flight entertainment system, galleys, electrics and waste water systems, rather than to showcase new innovations and configuration possibilities.

By the time installation began in November 2005, engineers had already carried out many hours of testing on the ground to ensure that many of the systems were already significantly mature and passenger comfort would be ensured

Maintaining a constant, pleasant cabin temperature and avoiding drafts is a particularly important element of passenger well-being, so a key part of this testing involved the assessment of temperature distribution and airflow patterns.

For example, as well as placing thermometers and airspeed probes throughout the cabin development mock-ups and using smoke generators to observe airflow patterns, hi-tech cylindrical 'dummies' were placed on seats to simulate the heat dissipated from passengers.

Although this type of testing is not unique to the A380, the size and passenger capacity of the aircraft, combined with the number of potential heat sources (such as the in-flight entertainment system and cabin lighting) mean that a huge range of variables and configurations had to be tested.

What is unique to the A380 is the waste-water test rig, a full scale representation of the waste-water system of the aircraft which can be pitched and tilted to represent aircraft attitude in flight.

The final test before the first flight was a 'virtual flight' using MSN2 itself, in which 474 passengers and 20 crew simulated a 15-hour flight with the aircraft remaining on the ground.

As well as the intensive maturity testing, March 2006 saw the one of the most significant milestones toward certification, when the cabin evacuation test was successfully completed using aircraft MSN7 (with 873 passengers and crew exiting the aircraft in just 78 seconds, 12 seconds less than the requirement)

With valuable information gained from these initial tests, MSN2 was then able to move on to in-flight cabin testing. Around two thirds of the flight test hours to be flown by the aircraft are dedicated to cabin testing with a specialist crew from Airbus and equipment manufacturers on board to thoroughly check every detail. Officials from the European Aviation Safety Agency (EASA) have also participated in the flights.

One of the best indications of the A380 performance so far was a series of four cabin test flights (called Early Long-Range Flights) carried out during the first week of September. A total of 1,900 Airbus employees were able to fly, with cabin service being provided by both Airbus and Lufthansa cabin crew. Ranging from seven to 15 hours, with an average cruise speed of 0.85 mach (850 km/h), although the flights started and finished in Toulouse, their tracks went as far north as Norway and as far south as the Canary Islands, in total covering over 41,750 km: the equivalent of flying a little more than one trip around the world.

"The flights all went very well", said Claude Lelaie, Senior Vice President Flight Division. "Despite the cabins being almost totally full, what was most striking was the impression of spaciousness the outstanding quietness." Initial measurements show that both the main and upper deck cabins of the A380 are quieter than the cabin of the A340-600, which to date had the quietest cabin in the sky.

The flights were an important step towards the A380's entry into service, with passengers and crews fully testing the cabin and cabin systems. Participants put air conditioning, lighting, acoustics, in-flight entertainment, galleys, electrics, toilets and water waste systems through their paces, providing feedback to help the A380 engineering teams assess the cabin environment and systems ahead of the final stages of certification.

"We already knew that the aircraft itself was performing well," explained Frank Chapman, one of the Airbus test pilots. "But we needed to establish the levels of comfort and performance in the cabin. The best way to measure this performance is by collecting feedback."

With the early long-range flights successfully completed, the A380 is on the final straight toward certification. One of the last certification tasks being prepared for is a series of longer function and reliability test flights. These are intended to demonstrate the aircraft's performance on some of the routes that it will operate when it begins commercial service.

For more information about the A380 see [www.airbus.com](http://www.airbus.com).

**JETRADER:** As Ryanair is doing away with even the smallest cost items, reclining seats-back, window shades and charges for all services including beverages, catering and comfort, how does Avion's adjust?

**Hafsteinsson:** XL Leisure Group for example, offers a product to most holiday destinations that is maybe not as cheap as Ryanair but with all the comforts one expects when going on a holiday, reclining seats, choice of in-flight meals, entertainment and duty free shopping. They also have window shades! On some trunk LCC routes, XL has the same model as the LCCs, you have to pay for your meals etc so they are able to compete with the LCCs.

*[please note Avion has sold 100% of XL Leisure Group and 51% in Avion Aircraft Trading in an MBO (management buyout). That doesn't change the validity of the questions and answers.]*

**JETRADER:** How has your Aviation Equipment Strategy changed to respond to your forecast of fuel prices?

**Hafsteinsson:** To counter for future high fuel prices, we have been very active in fleet renewal, with a strong fleet of B-737-800s, this year B747-400BCFs and as of 2008 and 2009 new B737-900ERs, B777-200LRFs and A330-200s.

**JETRADER:** How does Avion choose the parameters that evaluate the role of commonality vs. higher operating cost?

**Hafsteinsson:** For example we decided to phase out our B757 fleet and order the B737-900ER because of lower operating costs and fleet commonality with the B737-800s. The B737-900ER will seat 215 passengers compared to 223 seats on the B757-200.

**JETRADER:** How do you choose your airframe manufacturer?

**Hafsteinsson:** Not many choices !! Airbus or Boeing. Our fleet is dominantly Boeing because in the past it was more suitable for our business model. However, we also have Airbus aircraft and we are adding more A330s but recent troubles in Toulouse are really not the incentive you need to buy new aircraft from Airbus. Hopefully they can sort it out sensibly and quickly to be back in the game of selling more future new product positions. It is not healthy for Boeing to dominate the market and bad for us as consumers as pricing will go beyond sensible levels and its already happening.

**JETRADER:** With the growing emphasis on simplification of fleet, Anions decision to use multiple models gives it what distinct advantages?

**Hafsteinsson:** On the contrary we have been simplifying the fleet and as of 2008, we will have B737-800/900ERs and A320s on the narrow body side, A330-200s on the wide body and on freight, we will have B747-200Fs, -400BCFs, A300-600RFs and in 2009 the B777-200LRFs. We are reducing the number of models in a 60 aircraft fleet from 11 to 7 models.

**JETRADER:** What is your opinion on the use of 100-seaters in the LCC market (Frontier's A318, Jet Blue's Embraer 190 order)? Could you give us your evaluation A318 vs. E190?

**Hafsteinsson:** I really have very limited knowledge on the 100 seater market but I feel in the case of JetBlue they should have stuck to the Airbus instead of adding a new type like the Embraer



190. However, the E190 is probably a good aircraft for those starting with a clean sheet of paper or have the opportunity of changing entirely to a new type from Boeing or Airbus or something else in the LCC market.

**JETRADER:** *The US is facing a sizable retirement of its active work force in the next 10 years as the Baby Boomer Generation retires. Does Avion share this situation and how do you respond to this generational shift?*

**Hafsteinsson:** We don't share this concern, our workforce is young, adjusting well and receiving proper training and advice from the older generations.

**JETRADER:** *What Role does an organization such as ISTAT play for you and the Industry?*

**Hafsteinsson:** ISTAT plays a very important role for me and my colleagues as a networking tool. At the ISTAT conference, you meet those who are active in aircraft trading, listen to Lessor and appraiser panels and also I feel with more recent participation of airline people it is also very valuable for the traders themselves to get feedback from the other side. ISTAT is also an important voice for its members commenting and raising concerns in our industry when appropriate and also with sponsorships and scholarships for people who need help realizing their dream of being in aviation. Besides all this, there is a special atmosphere at ISTAT, friends coming together having a bit of fun.

**JETRADER:** *What are the major challenges facing the Aviation Industry during the next 18 months?*

**Hafsteinsson:** I guess they are more or less the same as in recent past, fuel prices, threat of terrorism, increased security measures, restrictions and

imposed charges from governments and airport capacity constraints.

**JETRADER:** *On behalf of ISTAT and the JETRADER, thank you Hafthor, for your time, candor and insights.*

At the ISTAT conference, you meet those who are active in aircraft trading, listen to Lessor and Appraiser panels and also I feel with more recent participation of airline people it is also very valuable for the traders themselves to get feedback from the other side.

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# ISTAT in Monaco



13<sup>TH</sup>  
EUROPEAN  
CONFERENCE

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LE MERIDIEN  
BEACH PLAZA

5-7 OCTOBER 2006

**ISTAT President-Elect, Michael Platt** (ILFC), opens the 13th European Conference with a welcoming address to a record-setting number (283) of attendees at Le Meridien.

The two-day conference was preceded by golf at the Monte Carlo Golf Club and a reception and dinner at the Hôtel de Paris where the moon could be seen making a searchlight on the sea presided by yachts as big as the aircraft financed by ISTAT members.

Speakers from Iceland, Thailand, India, Germany, United Kingdom, Korea and the United States kept the meeting room full with breaks providing ample opportunity for meeting people and chasing deals. A Gala Dinner and a closing night dinner at the Prince's Car Museum rounded out the activities.

Plan to attend ISTAT's 24th Annual Conference 2007 at the Marriott Desert Ridge Resort in Phoenix, 11-14 March.

## Speakers

Icelandic aviation business – the global involvement of companies based in Iceland

**Hafthor Hafsteinsson**, CEO, Aviation Services, Avion Group

Developments in European Aviation – remarks by an aviation pioneer. **Niki Lauda**

Lessor Panel: With overcapacity on the horizon, what is this doing to aircraft values and the related financing?

**Bill Cumberlidge**, ALLCO

**Simon McLean**, OASIS Leasing

**Anthony Diaz**, CIT

**Kieran Corr**, Pembroke

Moderated by **Birgitt Garitz**, Managing Director, Global Head of Aviation, WestLB AG

Starting a low-cost airline out of a major carrier

**Patee Sarasin**, CEO, Nok Air

**Alok Sharma**, President, Air Sahara :: Update on aviation developments in India

Appraiser panel: US vs European registration – transition issues between the jurisdictions

**Phil Seymour**, Managing Director, IBA

**John Vitale**, CEO, Avitas

Introducing new freighters and going through freighter conversion – a panel view

**Stephen Rimmer**, CEO, Guggenheim Aviation Partners

**David Sutton**, Managing Director, Aircraft Acquisition & Sales, FedEx Express Aviation Services

Market segmentation – how to attract and optimize revenue from the flying passenger

**Dr. Karl Echtermeyer**, Director, Group Fleetstrategy and Aircraft Assessment, Lufthansa German Airlines



**Hafthor Hafsteinsson**, CEO, Aviation Services, Avion Group



**Patee Sarasin**, CEO, Nok Air

Thank you Conference Sponsors

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**Peter Huijbers**, Lufthansa Technik, Conference Chairman  
Opposite, **John Vitale**, Avitas + **Phil Seymour**, IBA with wife Jane  
Below, **Stephen Rimmer**, Guggenheim Aviation Partners

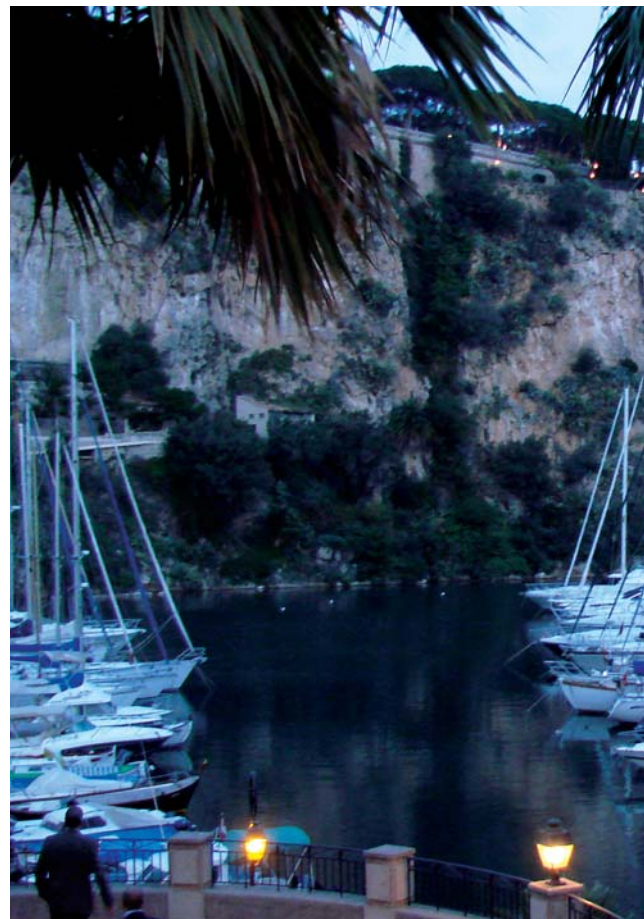


Above, **Gilles Tonelli**, Minister for Economics and Finance, Government of Monaco; Right, **Alok Sharma**, Air Sahara





Johannes Einarsson, ISTAT  
President 1995-1997



Reception + Gala Dinner  
Le Meridien Beach Plaza





Above :: Vito La Forgia, Aeroservice Aviation Center, and his wife Lulu pose before the car that reminded them of their courtship in Italy.



Above Right :: Michael Platt, ILFC, acknowledges Peter Huijbers, Lufthansa Technik and Conference Chairman, at the Prince's Car Museum dinner closing night.

Right :: the Waviatech contingent from the UK anchors a table at Le Meridien bar closing night.







ISTAT members Vito La Forgia, Aeroservice Aviation Center and Roland Moore, Aviation Attorney, are joined by Purdue Aviation Technology Department students. Both Vito and Roland spoke at the presentation.

Right :: Purdue President Martin C. Jischke is shown with David Sutton of FedEx Express at the presentation ceremony at Purdue's airport in West Lafayette Indiana.



"It is the Foundation's tradition to encourage ISTAT members to make contributions of any type that will further our educational and humanitarian goals. FedEx has taken a leadership role in their 727 donation program, supporting aviation schools in the US and abroad with retired 727s that act as laboratories for aspiring aviation students."

Bob Brown  
ISTAT Foundation Chairman

September 2006  
Purdue University  
West Lafayette Indiana







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We hereby acknowledge your generosity  
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**Connie Laudenschlager**  
Managing Director  
**Keswick Associates LLC**  
Aviation Consulting Services

Connie Laudenschlager recently completed a long-planned relocation with her husband from New York to their home in Virginia. In conjunction with this move, she formed Keswick Associates LLC, based in Keswick, VA. Keswick Associates LLC is a consulting firm focussed on advising on structured financings, primarily in the areas of aviation and asset finance, as well as general management consulting. Connie continues to serve on the Board of Directors of ISTAT, and is presently Vice President/Secretary-Elect. Within ISTAT's Board activities, she has served as Membership Chairman (during which period the membership increased over 20%), as co-Chairperson of ISTAT's Farnborough Reception, and also as an active contributing member to the ISTAT Foundation's scholarship and internship committees. **Keswick Associates LLC . 3389 Piperfife Court. Keswick, VA 22947 connie@keswickassociatesllc.com . +1 434 409-1862**



**Marco Sterk**  
President, **The Longbow Group**  
Aviation Consulting Services

The Longbow Group is a privately-owned, Memphis-based International Aviation Services Company providing Aviation Consulting, Asset Management and Technical Services to a range of global clients including Airlines, Leasing Companies, Banks and Institutional Investors. Longbow's main focus area is to provide financial services and technical support for Airbus and Boeing aircraft transactions. As Marco Sterk, President of The Longbow Group points out: "It is our goal that our services will meet our customer's needs and exceed their expectations so they can stay cost-effective and competitive in the ever changing environment they operate under."

**The Longbow Group LLC . Memphis, TN  
+1 901-405-1353 . www.thelongbowgroup.com**

**Pratt & Whitney Holds 2006 Appraisers Conference**  
On October 23 - 24, 2006, Pratt & Whitney hosted it's annual aircraft appraisers conference in East Hartford, Connecticut. This year's event was attended by individuals representing organizations in the: aircraft appraisal, leasing, banking, consulting, finance and asset management industries. The guests were provided with briefings and updates on PW's entire commercial product line as well as on PW's recent initiatives, including Gated Turbo Fan (GTF) technology and Global Material Solutions (GMS).



## Brief CV Aviation Historian Bill Bath



Bill submits his interesting articles on aviation history for nearly every *Jetrader*. And he knows what he's talking about.

A long time ago, Bill received a degree in mechanical engineering from Brighton Technical College in the UK. He then served his two years National Service in the Royal Air Force as a flight engineer on the Avro Lincoln bomber. Following a stint at Rolls Royce in the jet engine design office, he joined British Airways (formerly BOAC) as a flight engineer on the Boeing B377 Stratocruiser, Lockheed's 749 Constellation and the Bristol Britannia 100.

In October 1957, Bill emigrated to the United States and joined PanAm as a senior project engineer. In 1989 he was one of twelve appraisers to establish the ISTAT Appraiser's Program becoming in 1994 the Chairman of the Appraiser's Program International Board of Governors.

In 1994 Bill was asked by A. Oakley Brooks, then President of ISTAT, to organize a European conference; invitation only, no fee. Thirty delegates attended the round-table conference at the Royal Aeronautical Society, London. Subsequently he co-chaired six of the conferences held at Ste Paul-de-Vence, France.

Bill pops up at ISTAT conferences, most recently at this years' Annual Meeting in Orlando. Say hello next time you see him!

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# Blind Flight and Jimmy Doolittle

In September 1979 I and other members of the firm we then worked for, attended the monthly Wings Club lunch in New York. It was a special occasion; at the head table sat General Jimmy Doolittle who was being recognized for achieving the first blind flight fifty years earlier on September 24, 1929. Also at that table sat Lieutenant Ben Kelsey, the safety pilot on the flight, and Charles ("Pete") Conrad Jr., who was the commander of Apollo 12 on the second lunar landing in the Ocean of Storms on November 18, 1969.

At our table sat a retired American Airlines captain, Ernie Cutrell, who did research work for us in our archives; he played a major part in developing the present day approach lighting system we are all familiar with, as well as flying American's new DC-3s in 1936 on its transcontinental routes with 14 sleeping berths.

Looking around the room at these pioneers, it suddenly struck me that my father who at that time was still alive and well, was born before the Wright brothers made the first powered controlled flights at Kill Devil Hill on December 17, 1903. Those of you, who have visited the site and looked at the markers showing the distances flown by the four flights that day, know that the first flight's distance was shorter than the cabin of a B747. Would anyone standing on the south shore of Long Island in 1927 watching Charles Lindbergh pass overhead on his historic solo flight to Paris, have guessed that in 1997 some six million people would fly across the Atlantic, many of them in a B747?

Regular night airmail services began between Chicago and Cheyenne in July 1924, and rapidly expanded to routes in the mid and far-west to other small towns and cities. Flying in all kinds of weather in open cockpit biplanes, such as DeHavilland DH-4s war surplus machines, the accident rate was high. The instrument panel was sparse, with an altimeter, a simple magnetic compass, a crude airspeed indicator and a bubble liquid tube to help the pilot keep the wings level. In turbulence the level was not much help. To guide the pilots, some 4,121 miles of airways had lighted beacons which were of limited use in bad weather, particularly in mountainous terrain. Four-course radio range beacons were first installed in 1929; by listening to the morse code for A or N and turning left or right to change the letter, the pilot could determine which quadrant he was in; a steady note meant he was on the beam. Depending if the tone increased or decreased, he could tell if he was flying towards or away from the beacon. Sun spots, mountainous terrain, even railroads would sometimes interfere with the signal.

It was in 1929 that Lawrence Sperry, whose factory was then on Long Island, introduced his gyroscopic Artificial Horizon; Paul Kollsman, also of Long Island developed a new altimeter, the design of which solved the chronic inaccuracy of current ones at low altitudes. Jimmy Doolittle had them installed on a Consolidated NY-2 biplane to demonstrate how a pilot could fly blind and not lose control by entering a fatal dive or spin. Doolittle had founded the Full Flight Laboratory for the Promotion of Aeronautics with a grant from the Daniel Guggenheim Fund; he planned to take-off blind under a fabric hood from Mitchell Field on Long Island, fly a prescribed pattern and land still under the hood. During the takeoff Kelsey in the front seat raised his hands to show that Doolittle was controlling the aircraft. The aircraft then climbed to 1,000 feet and disappeared into the mist.

[Doolittle] died in 1993 at the age of 97. He is buried at Arlington National Cemetery next to Josephine, his wife of 71 years. When asked about his longevity when so many pioneers died young, he would reply that he never took uncalculated risks and had lots of luck.





The National Bureau of Standards had installed a radio beacon on Mitchell Field for the flight; once he had lined up with the beacon Doolittle made a gradual descent to land close to the start of his takeoff roll. The flight lasted fifteen minutes. For this achievement he received the Harmon Trophy.

With the installation of the Sperry Artificial Horizon and Kollsman altimeter, together with 90 radio beacons in place by 1933 approximately 200 miles apart over 18,000 miles of routes, the mail flights accident rate dropped dramatically.

Prior to Doolittle's historic demonstration in 1929, what were his other achievements? It is a long and impressive list.

The United States entered World War I in 1917 when Doolittle was a student at the University of California School of Mines, he then joined the Air Service and served as a flight instructor in the US until the armistice. Subsequently he was a regular on the air show circuit and performed aerobatics including the outside loop; during this period he also obtained a degree in engineering and in 1925 a doctorate in aeronautics from the Massachusetts Institute of Technology. In 1922 while in the First Provisional Air Brigade he flew from Pablo Beach, Florida to San Diego in 21 hours and 19 minutes, the first person to do it in less than 24 hours. His aircraft was a DH-4 equipped with crude navigation instruments and he did it with only one refueling stop.

He was one of the first army engineering test-pilots and trained with the navy on high-speed flight tests. In 1925 he won the Schneider Cup seaplane race flying the Curtiss Navy racer and the next day set a world speed record with it of 245 mph (394 km per hour). For these feats he received the MacKay Trophy.

In 1931 he won the Bendix Trophy Race in a Laird biplane and the Thompson Trophy with the Granville Gee Bee widow maker; Doolittle called it the most dangerous plane he had ever flown. I saw a clip on TV once of a Gee Bee taking off, which promptly rolled and dived vertically into the ground. Wiley Post was the only other pilot to win both trophies the same year.

Looking at this photograph brings to mind that line in those old Hollywood films, "You're not sending the kid up in a crate like that?"

The April 18, 1942 Tokyo raid by 16 Mitchell B-25 bombers stripped of guns and armor and led by then lieutenant colonel Doolittle from the aircraft carrier USS Hornet, has been well covered in books and on film and there is no need to repeat it here; suffice to say that those who survived considered themselves lucky. President Roosevelt presented Doolittle with the Medal of Honor for planning and leading the mission.

Although long retired from active duty, in 1985 he received his fourth star as a full general and died in 1993 at the age of 97. He is buried at Arlington Cemetery next to Josephine, his wife of 71 years. When asked about his longevity when so many pioneers died young, he would reply that he never took uncalculated risks and had lots of luck.

References: All WWW. [arlingtoncemetery.net/jdoolitt](http://arlingtoncemetery.net/jdoolitt). Centennialofflight.gov. (Jimmy Doolittle-Aviation Star) Centennialofflight.gov/essay/Evolution of Technology/navigation. Fathom.com/course/10701016. (Flying Blind: A brief history of aviation advancements, 1918-1930.) [daileyint.com/flying/flying2](http://daileyint.com/flying/flying2).

TIME OUT in Monaco | the setting for the ISTAT Golf Tournament at the Monaco Golf Club included not only views of the mountains but the Mediterranean which could be seen from the greens. Pictured below are Didier Benaroya, Director of Numera Services Ltd, Ben Assaf, Compas Capital Corporation, and Marco Sterk, The Longbow Group. Pictured below, Valerie Wheeler, Conference Stage Manager, and Amy Buyea, Volvo Aero, Conference Assistant, get their time out.





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# The Extraordinary Value of Aircraft Records

**Y**ou are a successful aircraft trader. You spend significant amounts of time and money ensuring that your lessee meets and even exceeds the Airworthiness Directives and industry regulations that your planes are subject to. You employ technical expertise and consultants to ensure your planes operate as they should. You apply cost-management measures and take out insurance policies to safeguard against financial loss. You even invest heavily in preventative measures to minimise time and expense required on maintenance issues later.

But how much of your time, money and energy is concerned with those unglamorous, cumbersome boxes of paper rattling around in some storage unit somewhere? Those boxes of paper that make up your assets' collections of historical records are, in fact, generated by your responsible upkeep of your aircraft and are usually out of sight and, more significantly, out of mind.

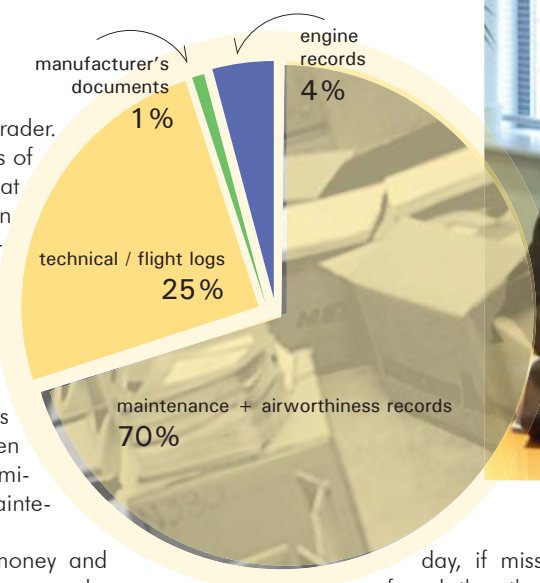
Every minute aspect of an aircraft's operation and maintenance is rigorously documented, making up the sizeable collection of an aircraft's historical records and it is commonly agreed that these records account for the majority of the asset's total value. Their value has traditionally been underestimated, however, as have the financial implications of poor records management, but with missing or damaged records costing anything from tens to hundreds of thousands of dollars per item to replace, more and more owners are now starting to sit up and recognise the benefits of protecting the paper they previously directed solely at the techies.

Every individual maintenance issue can generate between 1-50 documents and, at a conservative estimate, a typical narrowbody aircraft generates approximately 5000 documents per year of operation, or around 125,000 documents by the time an aircraft has hit its 25th birthday. With such a large volume of documents, adequate copies are rarely made.

To appreciate the difficulties that this volume poses to a potential new lessee or an end-of-lease aircraft inspector, one must understand the aesthetics of these records' physical location. Boxes of documents are usually stored in warehouses, of vastly varying storage conditions and levels of security, and even with approximately 2500 documents per archive box, anyone needing to inspect the records of an aircraft can be faced with anything up to 85 boxes, in the case of older widebody jets.

Responsibility for record management lies with each of the aircraft's operators, so when transfers between owners or operators occur, meticulous checks of all documentation must be carried out by both parties before transfer is completed and all boxes are physically transported to their aircraft's new home. Missing or irreparably damaged documents mean that the current operator cannot prove compliance with required maintenance orders and ADs and without this, the aircraft is automatically grounded until the paperwork is found or replaced and, in the interim, the operator is potentially liable to accrue sizeable penalties.

Often worse than the extensive costs incurred by delays in handover, which could amount to tens of thousands of dollars per



day, if missing documentation cannot eventually be found, then the corresponding work has to be repeated or the aircraft part replaced with appropriately certified materials and in cases where complete archives of records have been lost or badly damaged, costs of up to \$10.4m have been calculated to restore the aircraft to an airworthy state.

Imperative, then, is the need to ensure the safety of these records, but our organisation has encountered many situations and seemingly unlikely circumstances under which the collection of documents, and remember that these represent the bulk of the asset's value, have come under serious threat. We've seen open boxes stored next to volatile chemicals and tins of grease with no physical separation, or boxes open in warehouses with rain coming in through the unsecured door.

So it is obvious that storage conditions need to be monitored carefully, but these risks can be managed relatively simply employing a range of solutions, whereas other risks to an asset's historical records might not be as straight-forward to address.

Not so long ago a secure van, hired by a MRO to transport boxes of records, was hijacked for unrelated reasons and the records, deemed meaningless by the hijackers, ended up in a canal. It was catastrophic for the lessor and meant a very expensive recovery. In cases of airline bankruptcy it is not unheard of for disgruntled employees, recognising the records' value, to help themselves to a few boxes and hold them to ransom until monies owed are paid, essentially selling them back to the owner.

While working recently with a carrier to get their aircraft ready for handover, the stores department temporarily misplaced a box of documents from the aircraft's collection. Inspections, maintenance work and the whole remarketing process ground to a halt for two full weeks, with all concerned parties essentially twiddling their thumbs until the box was eventually recovered.

These are not extreme and unusual cases of records falling prey to freak circumstances, but very real, and indeed, common examples of the risks that an asset's records are subject to. If aircraft owners wish to be as profitable as they are responsible, then the true significance of historical records management and its associated risks must be acknowledged and addressed sooner, rather than later.

**Next Jetrader** - Karl Scanlon talks about document scanning and technology to protect the value of your records and bring efficiencies to the operation of your lease.



ISTAT member Karl Scanlon, Waviatech's Director of Products and Services, talks to JETRADER about the importance of historical records management.

email  
karl.scanlon@waviatech.com



To keep the membership of ISTAT better informed, the ISTAT Board of Directors has elected to publish a summary financials for ISTAT in the *Jetrader*. In this publication we are providing copies of the audited balance sheet, income statement and cash flow statement for 2005.

A complete copy of the audited financial statements for 2005 is held on file at the ISTAT offices and can be requested for review by active members.

Gregory  
May  
ISTAT  
Vice President  
Treasurer

## EXHIBIT A

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING  
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2005  
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2004**

	<b>ASSETS</b>				
	<b>2005</b>			<b>2004</b>	
	<b>The Society</b>	<b>The Foundation</b>	<b>Eliminations</b>	<b>Total</b>	<b>Total</b>
Cash and cash equivalents	\$ 152,738	\$ 78,673	\$ -	\$ 231,411	\$ 92,282
Investments (Note 2)	1,440,595	1,184,726	-	2,625,321	1,962,162
Due from the Society	-	1,566	(1,566)	-	-
Accounts receivable	6,700	-	-	6,700	15,461
Prepaid expenses	34,232	-	-	34,232	27,731
Property and equipment, net of accumulated depreciation of \$19,794 and \$14,263 in 2005 and 2004, respectively (Note 3)	6,032	-	-	6,032	10,842
Donated property (Note 6)	-	4,250,000	-	4,250,000	-
<b>TOTAL ASSETS</b>	<b>\$1,640,297</b>	<b>\$ 5,514,965</b>	<b>\$ (1,566)</b>	<b>\$7,153,696</b>	<b>\$2,108,478</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 3,240	\$ 6,719	\$ -	\$ 9,959	\$ 14,934
Due to the Foundation	1,566	-	(1,566)	-	-
Deferred income:					
Conference registration fees	35,225	-	-	35,225	51,025
Membership dues	139,705	-	-	139,705	132,653
Sponsorships	73,500	12,500	-	86,000	3,000
Other	-	-	-	-	8,090
<b>Total liabilities</b>	<b>253,236</b>	<b>19,219</b>	<b>(1,566)</b>	<b>270,889</b>	<b>209,702</b>
<b>NET ASSETS</b>					
Unrestricted net assets:					
Undesignated	1,387,061	347,382	30,000	1,764,443	1,202,863
Board designated (Note 5)	-	186,413	-	186,413	695,913
<b>Total unrestricted</b>	<b>1,387,061</b>	<b>533,795</b>	<b>30,000</b>	<b>1,950,856</b>	<b>1,898,776</b>
Temporarily restricted (Note 7)	-	4,661,951	-	4,661,951	-
Permanently restricted (Note 7)	-	300,000	(30,000)	270,000	-
<b>Total net assets</b>	<b>1,387,061</b>	<b>5,495,746</b>	<b>-</b>	<b>6,882,807</b>	<b>1,898,776</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$1,640,297</b>	<b>\$ 5,514,965</b>	<b>\$ (1,566)</b>	<b>\$7,153,696</b>	<b>\$2,108,478</b>

See accompanying notes to combined financial statements.



## EXHIBIT B

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING  
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>				<u>2004</u>
	<u>The Society</u>	<u>The Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
<b>UNRESTRICTED REVENUE</b>					
Membership:					
Individual	\$ 187,939	\$ -	\$ -	\$ 187,939	\$ 185,822
Corporate	214,808	-	-	214,808	189,794
Contributions	-	160,251	(70,000)	90,251	285,307
Conference	667,600	-	-	667,600	657,125
Sponsor income	314,503	-	-	314,503	243,275
Golf Tournament, net of expenses of \$48,334	-	23,486	-	23,486	5,573
Silent Auction, net of expenses of \$37,090	-	14,225	-	14,225	48,293
Special fundraisers, net of expenses of \$29,016	-	80,685	-	80,685	30,788
Appraisal	634	-	-	634	1,570
Investment income (Note 2)	46,037	58,726	-	104,763	69,802
Other revenue	-	-	-	-	6,738
Advertising	-	-	-	-	18,975
Net assets released from donor restrictions (Note 7)	-	35,000	-	35,000	-
	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>	<u>-</u>
Total unrestricted revenue	<u>1,431,521</u>	<u>372,373</u>	<u>(70,000)</u>	<u>1,733,894</u>	<u>1,743,062</u>
<b>EXPENSES</b>					
Program services:					
Conferences	561,956	-	-	561,956	612,548
JETRADER Magazine	31,174	-	-	31,174	57,737
Air Show Receptions	122,343	-	-	122,343	63,696
Scholarships and Grants	100,000	138,011	(100,000)	138,011	60,000
Membership Directory	12,678	-	-	12,678	1,196
Appraisal Program	40,306	-	-	40,306	38,232
	<u>868,457</u>	<u>138,011</u>	<u>(100,000)</u>	<u>906,468</u>	<u>833,409</u>
Total program expenses	<u>868,457</u>	<u>138,011</u>	<u>(100,000)</u>	<u>906,468</u>	<u>833,409</u>
Management and general	<u>232,608</u>	<u>22,738</u>	<u>-</u>	<u>255,346</u>	<u>253,559</u>
Total expenses	<u>1,101,065</u>	<u>160,749</u>	<u>(100,000)</u>	<u>1,161,814</u>	<u>1,086,968</u>
Change in unrestricted net assets, before other item	330,456	211,624	30,000	572,080	656,094
Other item: Transfer of net assets	-	(520,000)	-	(520,000)	-
Change in unrestricted net assets	<u>330,456</u>	<u>(308,376)</u>	<u>30,000</u>	<u>52,080</u>	<u>656,094</u>

See accompanying notes to combined financial statements.



**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING  
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>				<u>2004</u>
	<u>The Society</u>	<u>The Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
<b>TEMPORARILY RESTRICTED</b>					
Contributions	\$ -	\$ 196,951	\$ -	\$ 196,951	\$ -
In-kind contributions	-	4,250,000	-	4,250,000	-
Net assets released from donor restrictions (Note 7)	<u>-</u>	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
Change in temporarily restricted net assets, before other item	-	4,411,951	-	4,411,951	-
Other item: Transfer of net assets	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>
Change in temporarily restricted net assets	<u>-</u>	<u>4,661,951</u>	<u>-</u>	<u>4,661,951</u>	<u>-</u>
<b>PERMANENTLY RESTRICTED</b>					
Contributions - Endowment	-	30,000	(30,000)	-	-
Other item: Transfer of net assets	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>270,000</u>	<u>-</u>
Change in permanently restricted net assets	<u>-</u>	<u>300,000</u>	<u>(30,000)</u>	<u>270,000</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ <u>330,456</u></b>	<b>\$ <u>4,653,575</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>4,984,031</u></b>	<b>\$ <u>656,094</u></b>

See accompanying notes to combined financial statements.



## EXHIBIT D

**INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING  
INTERNATIONAL SOCIETY OF TRANSPORT AIRCRAFT TRADING FOUNDATION**

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
WITH SUMMARIZED COMBINED FINANCIAL INFORMATION FOR 2004**

	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 4,984,031	\$ 656,094
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,531	6,470
Unrealized gain	(28,876)	(39,980)
Realized gain	(5,382)	(454)
Donated property	(4,250,000)	-
(Increase) decrease in:		
Accounts receivable	8,761	(3,241)
Prepaid expenses	(6,501)	14,370
Increase (decrease) in:		
Accounts payable	(4,975)	(10,922)
Deferred conference registration fees	(15,800)	14,885
Deferred membership dues	7,052	6,539
Deferred contributions	-	5,490
Deferred sponsorships	83,000	(15,300)
Other	(8,090)	-
Net cash provided by operating activities	<u>768,751</u>	<u>633,951</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(721)	(2,811)
Proceeds from sale of investments	1,283,012	709,184
Purchases of investments	<u>(1,911,913)</u>	<u>(1,498,352)</u>
Net cash used by investing activities	<u>(629,622)</u>	<u>(791,979)</u>
Net increase (decrease) in cash and cash equivalents	139,129	(158,028)
Cash and cash equivalents at beginning of year	<u>92,282</u>	<u>250,310</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 231,411</u></b>	<b><u>\$ 92,282</u></b>

See accompanying notes to combined financial statements.

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