AIRBUS FACES A380 TEST AS SINGAPORE WEIGHS LEASE RENEWAL: BANKER

News / Manufacturer

Airbus faces a double test of confidence in the A380 superjumbo in the coming months as Singapore Airlines ponders whether to renew its first lease while the planemaker seeks to bolster new sales, a leading industry banker said.

The Southeast Asian airline was the first to fly the world's largest airliner in 2007 and a 10-year lease for its first aircraft expires in 2017. Airlines usually have to give around a year's notice on whether to renew leases for large planes.

Bertrand Grabowski, the board member in charge of aviation at Germany's DVB Bank, told financiers that lease rates for the 544-seat plane could come under pressure if Singapore Airlines either returns the jet or renews the lease, but at lower rates.

Lease rates serve as a barometer for the value of assets in the jet market and can influence the price of brand-new planes.

"I think we know well that the A380 market is untested when it comes to second-hand aircraft," Grabowski said at the Istat aircraft finance conference, adding that the costs of refitting its twin passenger decks for a different airline were unclear.

"What we do know is that the order book of the A380 is weak and ... that some current users wish to sell their existing planes. On top of that situation, where everyone knows that in 2017 or the

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year after some aircraft are coming back to the market, you have the recipe for a correction in terms of lease pricing."

Singapore Airlines has not said whether it will keep the jet, leased from German asset manager Dr Peters Group.

Neighboring Malaysia Airlines is meanwhile trying to sell two A380s and some Boeing 777 jets as it restructures.

Industry sources say Airbus is keen to support second-hand sentiment toward the A380, giving potential buyers a potential exit for their investments. But with no transactions so far, dealers are unsure how much a used superjumbo would be worth.

The conference also heard concerns about second-hand values for other wide-body jets including the Boeing 777-200, including some likely to be released by troubled Russian carrier Transero.

Grabowski said Airbus's ability to sell new planes would also be under scrutiny in the current quarter. Airbus sales chief John Leahy has said he hopes to sell 25 A380s by the end of the year.

"Airbus has made the point that there may be some more orders between now and the rest of the year. That could be a test of where the program is going," Grabowski said.

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