Plane Makers Rack Up $25 Billion In Orders

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FARNBOROUGH, England (AP) — Plane makers notched up more orders on the third day of the Farnborough International Airshow on Wednesday — bringing the tally past $25 billion — as a resurgence in commercial aviation offset the gloom from governments' sharp cuts to defense programs.

EADS-owned Airbus took the limelight early Wednesday, booking orders from Germania, an airline based in Berlin, and Indonesian national carrier Garuda. Thai Airways also made a commitment to buy seven A330-300s worth $1.48 billion at catalog prices, which Airbus expects to be firmed up by the end of the summer.

Analysts don't expect anything close to the record-breaking $88.7 billion worth of deals announced at Farnborough in 2008, but the gathering has already exceeded the slow orders for commercial planes of around $7 billion at sister show Le Bourget, near Paris, last year.

Garuda CEO Emirsyah Satar said the airline planned to use its purchase of six long-range A330-200s, worth $1.1 billion at catalog prices, to expand its new premium service "to more international destinations in a profitable and efficient way."

Airbus also firmed up its previous memorandum of understanding with Germania, signing a contract for five Airbus A319s. The deal is the airline's first with Airbus, marking a win for the European company over arch-rival Boeing as Germania starts a complete fleet rollover to eco-efficient Airbus A319s.

ALAFCO, the Kuwait-based international Aviation Lease and Finance Company, said it has converted its existing firm order for 12 Airbus A350-800s placed in 2007, into the higher capacity A350 -900 model.

Airbus' chief rival Boeing said Air Austral, a French airline based on the island of Reunion, had ordered two long-range 777-200 Worldliner aircraft, worth $501 million at catalog prices. It also revealed that Qatar Airways had ordered two 777-200LRs for the same price. Both deals had been concluded previously but the name of the buyer had not been disclosed.

Qatar also revealed that it was taking earlier delivery of Boeing's 787 jetliner to meet increased demand.

"Air travel demand is continuing to rise in the Middle East and it is becoming clear that international demand is returning as the global economy shows signs of recovery," said Qatar Airways CEO Akbar Al Baker.

Meanwhile, smaller rival Bombardier said Australian carrier Qantas Airways ordered seven Q400 turboprop airliners, worth $218 million at list prices.

The catalog prices often represent an inflated value on the deals as airlines typically negotiate substantial discounts.

The renewed optimism in commercial aviation, however, could not dispel the bad news from the defense industry, where governments are cutting budgets after spending billions bailing the global economy.

"Just about every program is under review and every government is looking through their procurement program to see what is really necessary and when they need it," said Fitch analyst Tom Chruszcz.

On Tuesday the cuts to Western military budgets were the talk of Farnborough.

In the U.S., the world's biggest single defense market, the Pentagon is looking to trim some $100 billion from personnel and procurement costs over the next five years. The U.K., Europe's biggest defense market, is considering defense cuts of up to 20 percent.

Italian Minister Ignazio La Russa said his country will reduce its order of Eurofighter jets by 25 planes to save €2 billion ($2.57 billion).

The plane is built by a consortium of European military manufacturers, including Britain's BAE Systems PLC, the German-French EADS NV and Italy's Finmeccanica SpA.

Italy had originally ordered 121 jets and the 25 it wants to cancel come from the last batch of planes, for which contracts have not been finalized. Eurofighter spokesman Marco Valerio Bonelli declined to comment on whether Germany, Britain and Spain could reduce last batch orders as well.

Airbus sought to gloss over problems that have dogged its A400M military transport plane.

The hulking gray airlifter is one of two star performers — the other being the also delayed Boeing 787 — of the daily flying displays at Farnborough.

But the plane is still around four years late and €3.5 billion over budget, and despite reaching an agreement in principle earlier this year on how to share the cost overruns, the seven customer nations have still to sign the final agreement.

The airshow is considered a barometer of the aviation and defense industry along with its sister show at Le Bourget in Paris in alternate years.

The outlook for commercial aviation, at least, appears on the mend.

New leasing company Air Lease Corp. has so far signed the biggest deals, dividing orders for 115 planes worth $8.6 billion between Boeing, Airbus and French-Italian regional turboprop manufacturer ATR.

Also Tuesday, regional airline Flybe unveiled a deal to buy 35 Embraer 175 jets, worth $1.3 billion.

More than 1,000 exhibitors from 38 countries have signed up for Farnborough, with delegations from Egypt, Taiwan and Morocco attending for the first time. Organizers also cited stronger interest from major players China and Russia.

The global industry is expected to return to a profit this year after a huge loss of $9.4 billion in 2009. Asia and North America are expected to lead the recovery, with Europe lagging behind due to strikes at some airlines, the debt crisis and the volcanic ash cloud that caused major disruptions this spring.

Boeing has notched up a number of sales for its fuel-efficient 787 jetliner, which is making its international debut at Farnborough after a problem-plagued production line delayed the delivery schedule. The first 787 is due to be handed to Japan's ANA later this year, more than two years overdue, and Boeing has said that could slip into the first few weeks of 2011.

The 787 took to the skies on Tuesday, accompanied by two World War II-vintage Spitfires which all flew past plane spotters and industry executives — before the 787 broke off for a climb. Even at the rival EADS stand, people were taking photographs of the historic flying display.

The show runs July 19-25 at an airfield about 30 miles (50 kilometers) west of central London.

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AP reporter Andrew Khouri contributed to this report.

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