



Second ICAO Meeting on Air Cargo Development in Africa

Session 3 – Funding and Financing Aircraft Equipment

Frédéric Malaud

Air Transport Development Manager - ICAO



Summary

- Introduction
- Brief History of Aircraft Ownership and Leasing
- Types of Aircraft Leases:
 - Operating/Finance
 - Dry/Wet
- Cape Town Convention and its Benefits
- Art. 83 bis of the Chicago Convention



Mr. Miguel Santos, Managing Director, Sub-Saharan Africa for Boeing International:

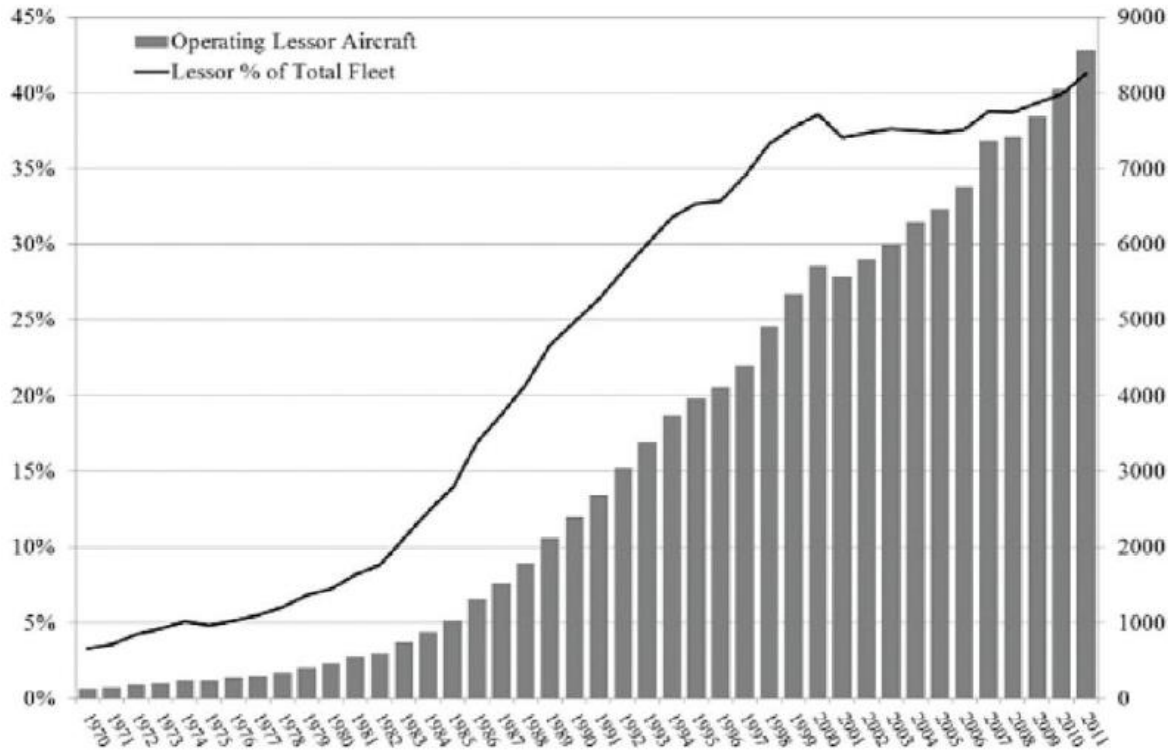
- air traffic to and from Africa is expected to grow by about 6.1% annually over the next 20 years,
- resulting in the **need for 1,150 new airplanes"**



Introduction

- Prices range 82.4 MUSD for B737-700 to 408.8 MUSD for the B777-9
- Bombardier's Q400 turboprop costs 32.2 MUSD and CS300 89.5 MUSD
- 75.9 MUSD for A318 to 436.9 MUSD for A380

History of Aircraft Leasing



Early airlines were state-owned

Jet age, capital-intensive equipment

1970: 1% of fleet

2010: 40% of fleet



Operating v. Finance Leases

	Operating Lease	Finance (capital) Lease
Need	Operational: temporary increase in capacity. Lessee cannot claim depreciation	Financial: avoid substantial cash outlays. Lessee can claim depreciation. Structured as lease so financier has security
Duration	Substantially less than a/c useful life	Long-term, useful life of a/c
Ownership	Lessor retains interest in residual value	Option for lessee to acquire (+ balance sheet)



Dry v. Wet Leases

	Dry Lease	Wet Lease
Aircraft	Yes	Yes
Crew, maintenance, insurance	No	Yes (if cabin crew too: “damp lease”)
AOC	Lessee	Lessor



- **Convention** on International Interests in Mobile Equipment & **Protocol** on Matters Specific to Aircraft Equipment (2001)
- Applies to **owned** and **leased aircraft**
- Objective: create **certain** and **opposable rights** to high-value assets, w/o fixed location
- **Legal systems** have **different approaches** to securities, title retention agreements and lease agreements = uncertainty for lending institutions regarding the efficacy of their rights



- CTC creates **registry of interests** & improves **predictability** with respect to the opposability of the securities
- Avg. **10 months** for contracts worldwide to be enforced
- Ratification of CTC reduces this time period to **two months**
- Airlines of States that adopt CTC receive a **10% discount** on **export credit** premiums (OECD ASU 2011)
- Australian airlines save \$330,000 on purchase of new ATR 72 and \$2.5 million on an Airbus A380



- States should **adhere** to CTC
- Need for **airline models** that work for Africa, which keep airlines financially healthy
- Establishment of **finance and leasing frameworks** in the continent
- Creation of a **standing group** on aircraft financing and leasing in Africa?



- Applicable in cases of aircraft **lease, charter, interchange**
- When State of the Operator (SO) is different from State of Registry (SR), potential difficulties in exercising safety **oversight**
- Agreement: transfer certain oversight **responsibilities** from SR to SO

Article 83 bis*

Transfer of certain functions and duties

a) Notwithstanding the provisions of Articles 12, 30, 31 and 32 a), when an aircraft registered in a contracting State is operated pursuant to an agreement for the lease, charter or interchange of the aircraft or any similar arrangement by an operator who has his principal place of business or, if he has no such place of business, his permanent residence in another contracting State, the State of registry may, by agreement with such other State, transfer to it all or part of its functions and duties as State of registry in respect of that aircraft under Articles 12, 30, 31 and 32 a). The State of registry shall be relieved of responsibility in respect of the functions and duties transferred.

Functions/duties that can be transferred:

- Art. 12: Rules of the air
- Art. 30: Aircraft radio equipment
- Art. 31: Certificates of airworthiness
- Art. 32 a): Licences of personnel



Article 83 bis

	Dry Lease	Wet Lease
Airworthiness	<ul style="list-style-type: none">• SR issues CofA• SR responsible for cont'd AW	<ul style="list-style-type: none">• SR issues CofA• SR responsible for cont'd AW
Crew licensing	SR responsible for crew licences issuance/validation	SR responsible for crew licences issuance/validation
Technical operations	<ul style="list-style-type: none">• Responsibilities for safety oversight can be transferred from SR to SO (issuer of AOC)• Art. 83 bis relevant (SR≠SO)	<ul style="list-style-type: none">• a/c remains operated under AOC of lessor• SR remains responsible for safety oversight• Art. 83 bis not relevant (SR=SO)



Questions:

fmalaud@icao.int

Thank you