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Aircraft leasing a challenge since the 70s

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1. **Some basics for aircraft leasing**
2. **Aircraft lease cycle**
3. **Aircraft lease return & redelivery conditions**
4. **Some challenges & future developments**



Operating vs financial leases **Focus on operating leases**

Some figures

- 50% operating lease → 13,000 commercial aircraft
- Some 150 lessors
- Biggest lessor AerCap with over 2,000 aircraft
- In 2021 some 1,300 leases will expire
- 300 – 400 bn USD business



Aircraft owner - lessor → Return on Investment

- High yield / Low cost
- Asset value (tradeability, residual value)/Smooth repossession
- Project based approach

Aircraft operator - lessee → Efficient Operation

- High operating revenues / High punctuality (EU claims !)
- Low operational cost (maintenance) /Smooth repossession)
- Operational/process based approach



Aircraft owner - lessor

- Monitoring asset value.
- Responsibility for the continuing airworthiness of an aircraft
→ transferred to the lessee / CAMO
(Continuing **A**irworthiness **M**anagement **O**rganisation)



Aircraft operator - lessee

- Aircraft integrated in operator's fleet
- Operators want flexibility
- Aircraft operated under its Air Operator Certificate (AOC)
- Showing compliance to lease agreement



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Aircraft Lease Cycle

Negotiations → Lease agreement
(contract=binding !)

Aircraft redelivery
(on-time) → “End Of Lease”

Aircraft delivery
(new or repossession)
Sale and leaseback

Aircraft operation (within operator’s fleet)

- Aircraft operation (hrs/cycles/calendar-days)
- Maintenance (ad hoc/periodically)
- Exchange of components (ad hoc/periodically)
- Modifications (interiors)
- Rental payments (monthly/quarterly)



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Aircraft Lease Cycle

Different “players”



Lessor + Consultants
Next lessee or Owner
Foreign Aviation Authorities



Lease Agreement

Exchange of data during lease

“Tricky Triangle”



Lessee/Operator
Internal Experts
Aviation Authorities



Service Level Agreement

Lessee is Coordinator of the redelivery process !



“Quiet enjoyment”

Lessor shall not interfere with use of aircraft by lessee.

- Operator: earn money in order to pay lease fees
- Lessor: monitor asset value
 - Value can be influenced by many factors.
 - Physical condition, paperwork and data to be monitored.

Maintenance reserves, collected by the lessor

End of lease: big arguments ?

- “Buy-outs as a gift”



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Aircraft lease return & redelivery conditions

Physical condition of the asset:

- Aircraft airworthy (EASA/FAA)
- Aircraft meets condition according lease agreement
- Export certificate

Aircraft documentation & technical records:

- Aviation regulations
- Lease contracts



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Aircraft lease return & redelivery conditions

The Importance of Documentation



Aircraft documentation in place for:

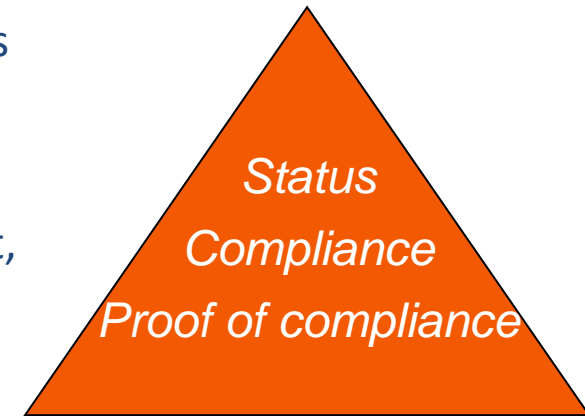
- Showing Continuing Airworthiness Compliance:
AD's, mod's, CRS, hrs/cls limitations etc.
- Configuration management: actual vs allowable
- Asset management: status (mod, overhaul) and age (LLP)



The Importance of Documentation

Documentation consists of :

- **Status data:** overviews of AD's, Hardtimers, LLP's (FH, FC and Calendar time) etc.
- **Compliance data:** AD's, mod's, hardtimers list, engineering data, burn certs. etc.
- **Proof of Compliance:** detailed Maintenance Records (DFP's), approved engineering data
- **Other data:** historical data, statements, manuals etc.





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Some challenges & future developments

- **Lease contracts:**
complex, different, open for interpretation/discussion
- **Aviation Regulations:**
complex, different (FAA/EASA)
- **Traceability of data internal and external:**
In different systems (legacy)
- **Integrity of data:**
Accuracy (GIGO principle)
- **Many stakeholders:**
Many parties involved





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Some challenges & future developments

Harmonisation and standardisation of documentation requirements



- Reducing disturbances during redelivery process
- Avoiding “mismatch” between lease-contracts of actual and next operator
- Reduce dissimilar requirements between states

Moving to a paperless environment

- Digitized in a secured cloud





Survive the pandemic

- For the lessor: asset value and lease rates/payments
- For the lessee: fleet configurations and lease rates/payments
- Good relationship between lessor and lessee

Environmental requirements for aviation

- Carbon emissions requirements worldwide
- Investors require green financing
- Replacement of older a/c by more fuel-efficient/
“environmental friendly” aircraft



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Thank you



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