Managing an aircraft lease and redelivery to minimise disruption

Discussion session

Groups debated, compared and contrasted common problems and possible strategies to deal with the issues and struggles pertaining to aircraft lease and redelivery. Aircraft redeliveries can be very problematic, time consuming and expensive for stakeholders. Often the enormous quantity of work that aircraft deliveries require is not sufficiently planned for or understood. Different stakeholders have distinct and sometimes competing objectives which can cause a lot of friction for all involved. What strategies and processes can be put in place to make this a more fluid process and reduce friction between implicated parties? Alan Miles, Asset Management Director, IBA acted as Chair and the two discussion leaders were Andrew Niderla, CAMO Director, ALL4JETS and Ken Sewell, Head of Aircraft Transactions, IBA.

When discussions commenced about advanced planning for aircraft redeliveries, attendees argued that contract stakeholders are often not aware of all requirements and content of the lease. The terms and conditions in contracts are not understood, there is no standardised terminology or common language established. An example might be cabin conditions that could state that the cabin needs to have a ‘good appearance’ which is subjective and open to interpretation. Do we need a cabin policy or cabin standard with more clear definitions? A checklist?

The redelivery planning process needs to start engaging with contract requirements for maintenance at the very beginning of the lease and get the support of the technical department. Some attendees talked about a need to improve auditing and prepare for the ‘missing gap’: How can we use interim audits? Should there be more required of the mid-lease inspection and use of that information and reporting to prepare for end of lease? Attendees wondered how a set of common interpretations that is worked through point by point could be set up, standardised and accepted. Non-standard contracts can cause disputes and it can be challenging to ascertain who is ‘right’ so working together and trying to see everyone’s objectives is essential. A common leasing document can prevent confusion and complications. Attendees asked about establishing clear penalties for lease extensions which would be agreed by all those involved at the start of the lease. All three contracts (that of the MRO, the leasing company and the operator) would buy into the same set of rules and penalties and everyone would work together to understand what is required of them and mitigate delays and dangers of hidden charges.

Personnel changes can be challenging and often records are not kept when passed on by workers over a long lease period. Who is tracking the certification and paperwork? Who or what department has the responsibility to deal with the lease return and what conflicts are there with day to day working objectives of the parties involved? What mechanism could be put in place and communicated to current and future involved parties to ensure that responsibility is not misplaced or lost over the period of the lease.

Defaults and repossessions can cause huge schedule changes which can be especially problematic when the aircraft is not in a proper maintenance condition for a transfer. The attendees asked if an alternative model could be for operators to pay a higher rate in their contracts for more flexibility? Could have flexibility on rate, the lessor would need to persuaded that this ‘more risk more reward’
model would work for them but it is much better that the aircraft is insured, operational and maintained, even if on a lower rate.

Moving between Civil Aviation Authorities who impose totally different requirements can also cause challenges and difficulties in aircraft transition. What regulatory support is needed? Industry stakeholders must engage regulators and make their processes more workable and encourage some common standards for leases to ensure there is clarity on guidelines and requirements for redeliveries.

A governing body to manage the process before it becomes a legal issue could save a lot of cost and delay, they could act as a ‘referee’ to encourage co-operation. Everyone needs to be briefed and communication between all parties involved is critical. Attendees suggested that standardised language and contracts to increase understanding, improved advanced planning and working with regulators on common standards would be effective ways to manage and improve the redelivery process.