SESSION 12 Case Study: Aircraft Transitions
*L103-104*

What needs to be put in place to universally standardize aircraft statuses to ease aircraft transition, deliveries and redelivery between operators or owners? What strategies can help reduce human error during transition and redeliveries? Getting to grips with technology and IT solutions and methods for a smooth aircraft data transition to reduce friction and harmonise processes.

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Enhancing decision making

**Full Service**
- Aviation Intelligence, Asset Management, Advisory
- Only aviation consultancy that also appraises (7 ISTAT Appraisers), manages (130+ assets, $4bn), and remarkets
- Global approach

**Independent**
- No vested interest in a deal progressing
- No conflict in treatment of assets

**Diversified talent pool and inputs**
- Imaginative solutions from a breadth of backgrounds
- Appraiser of the year 2018
- 30 years of trading experience
- Quantitative and qualitative approach
- Unique access to critical data and human intelligence

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**Entry**
- Market entry and analysis
- Competitive intelligence
- Fleet/Asset selection
- Aircraft appraisal analysis

**Opportunity**
- CDD, ODD, TDD
- Valuations
- Benchmarking

**The Deal**
- Negotiation
- Critical factors
- Risk assessment

**Managing the Asset**
- Transition management
- Technical and regulatory advisory
- Maintenance and costs analysis

**Addressing Issues**
- Renegotiation
- Dispute support
- Repossession

**Data Experience Intelligence**

**1 Identification**

**2 Acquisition**

**3 Building Value**

**4 Exit**
- Sell side advisory
- End-of-Lease options
- Remarketing
- Redelivery
**Aircraft Operating Leasing: The Transition Management Minefield**

**Managing the process**
1. Pre-purchase
2. Running
3. Monitoring
4. Transitioning

**Do you RETURN or EXTEND?**
- Analysis: Market lease rates, fuel price outlook, cost of meeting redelivery conditions, deal economics

**Top 10 contributors to transition challenges**
1. Poor contract drafting around redelivery conditions.
2. Lack of Lessee planning and early engagement with Lessor.
3. Inadequate focus on assets during operations.
4. Lessee operational demands consuming redelivery resource.
5. Decentralised, missing or incorrectly completed records.
6. Underestimation of the total workload.
7. Discovery of additional work required during maintenance input.
8. Lack of Lessee appetite for returned aircraft.
9. Engines failing final borescopes – carry out precautionary borescope much earlier.
10. Mismatch of current Lessee redelivery conditions to next Lessee delivery.

**The last 15 months prior to redelivery**

**ACTIVITY**
- **INITIAL PHASE**
  - Confirmation of Lease Return
  - Preliminary Evaluation
    - Analysis of Redelivery Conditions
    - MRO Selection
    - Initial Meeting with Lessor
    - Project Plan
    - Cabin & Cargo Base Inspection
    - Preparation of Aircraft Records
    - Preliminary Workpack
    - Preliminary Engine & APU Borescope Inspections
    - Final Workpack (fuel approval)
    - Pre input Meeting with MSG
  - **RECOVERY PHASE**
    - Aircraft Return
    - Maintenance Plan from MRO
    - Perforamnce Workshop (MRO)
    - Aircraft Brands Review
    - Engines - High Power Unit
    - Demonstration Flight
    - Engine & APU - Borescope Inspections
    - Final Disassembly
    - Aircraft Re-configuration
  - **ENGINE RETURN**

**Typical overspend, it soon adds up**
- Engines: $700,000
- General: $525,000
- Components: $300,000
- Fuselage, windows and doors: $150,000
- Landing gear: $50,000
- Corrosion: $45,000
- Interior and carpet: $35,000
- APU: $30,000
- Wings and empennage: $10,000

**Late delivery lease premium**
- Dependent on contract

For more information on how IBA can help your business with Redeliveries and Transitions contact: marketing@iba.aero

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Lease end projections – will they extend or will they redeliver?

Leases Ending 2019 to 2024

- **2019**: 1,062 (Narrow 1,062, Wide 275)
- **2020**: 963 (Narrow 963, Wide 198)
- **2021**: 991 (Narrow 991, Wide 198)
- **2022**: 979 (Narrow 979, Wide 135)

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Question one: What is the primary reason for a late redelivery?
Question two: Which area of the aircraft is most challenging to redeliver on time and on budget?
Question three: Consistent views from both sides

- Lessees feel that teams engage too late in the redelivery process.
- Lessors feel that Lessees engage too late.

The chart shows the percentage of occurrences of these views, with shades indicating how often these views are held: light yellow for "occurs sometimes or very often" and red for "occurs rarely or never".
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10. Mismatch of current lessee redelivery conditions to next lessee delivery.
So what can be done, what is being done to streamline the quagmire of aircraft transitions?

1. Various Industry Initiatives
2. Are Lessors doing enough?
3. The potential for e-transitions, the advance of IT solutions