



Asset Management Contingency Planning



Aircraft Asset Management Training Seminar

October 29th, 2012 – Hong Kong, China



Presented By:

Shannon Ackert

SVP, Commercial Operations

Jackson Square Aviation



“One of the most important characteristics of economic trends is that they are too slow in their motion to be visible.....

Humans do not get out of the way of that which they cannot see coming.”

Agenda

1. Warning Signals
2. Contingency Planning

Appendix A - Example Repossession Ledger

Appendix B - Example Return to Service Costs

1. Warning signals can be broken into:



A. Financial Warnings



B. Technical Warnings



A. Financial Warnings

- i. Revenue Trends – Revenue per ASM & Yield per Passenger
- ii. Cost Trends – Cost per ASM
- iii. Operating Profit (Loss) Trends
- iv. Cash & Cash Equivalent Trends

Monitor : Restructuring & Cost Reduction Campaigns, Load Factors, Route Additions or Reductions, Break-even Plans, Competition, & Economic Climate



B. Technical Warnings

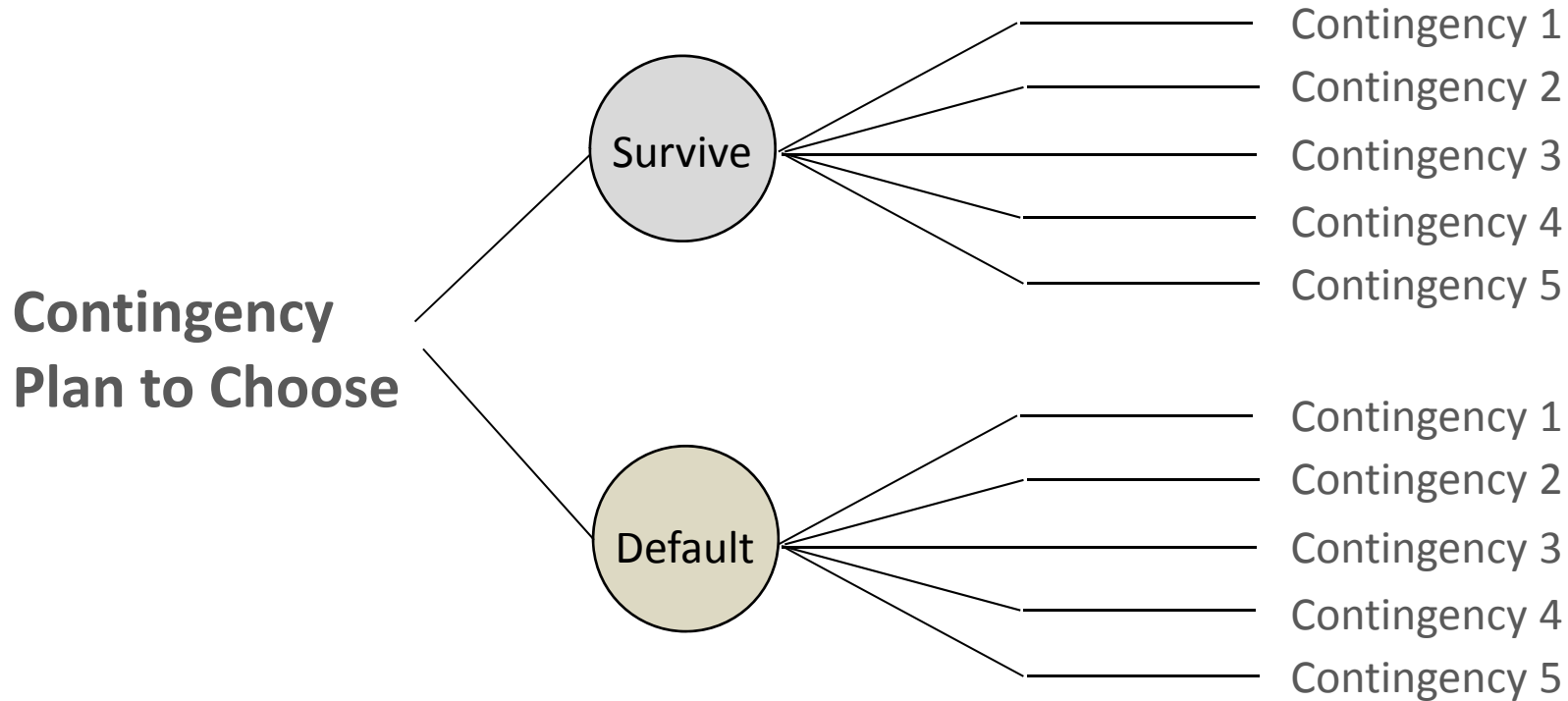
Easily Monitored -----

- i. Maintenance Reserve Payment History
- ii. Utilization Trends

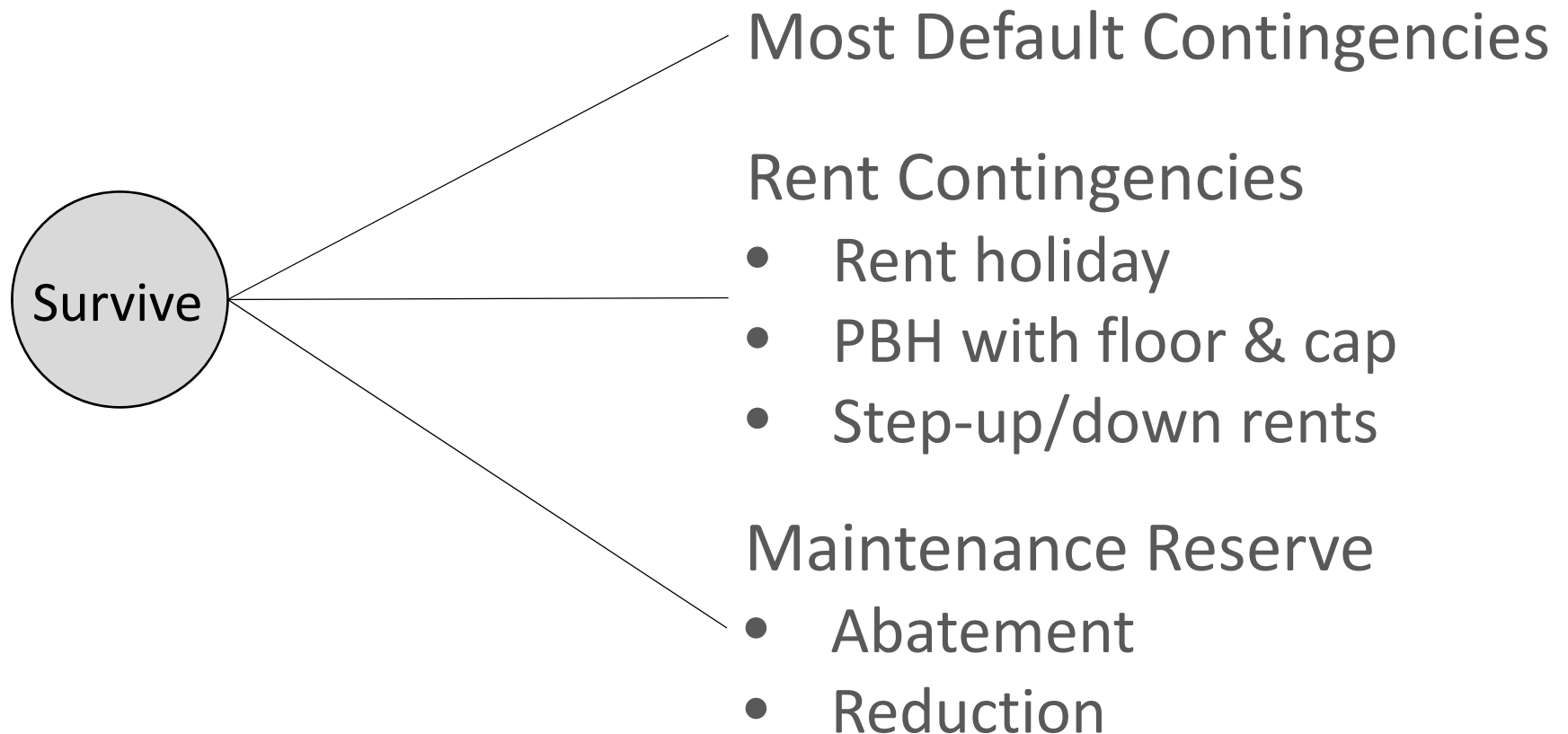
Challenging to Monitor -----

- i. Amounts due third parties (i.e. airport authorities, Eurocontrol, fuel providers)
- ii. List of deferred maintenance items

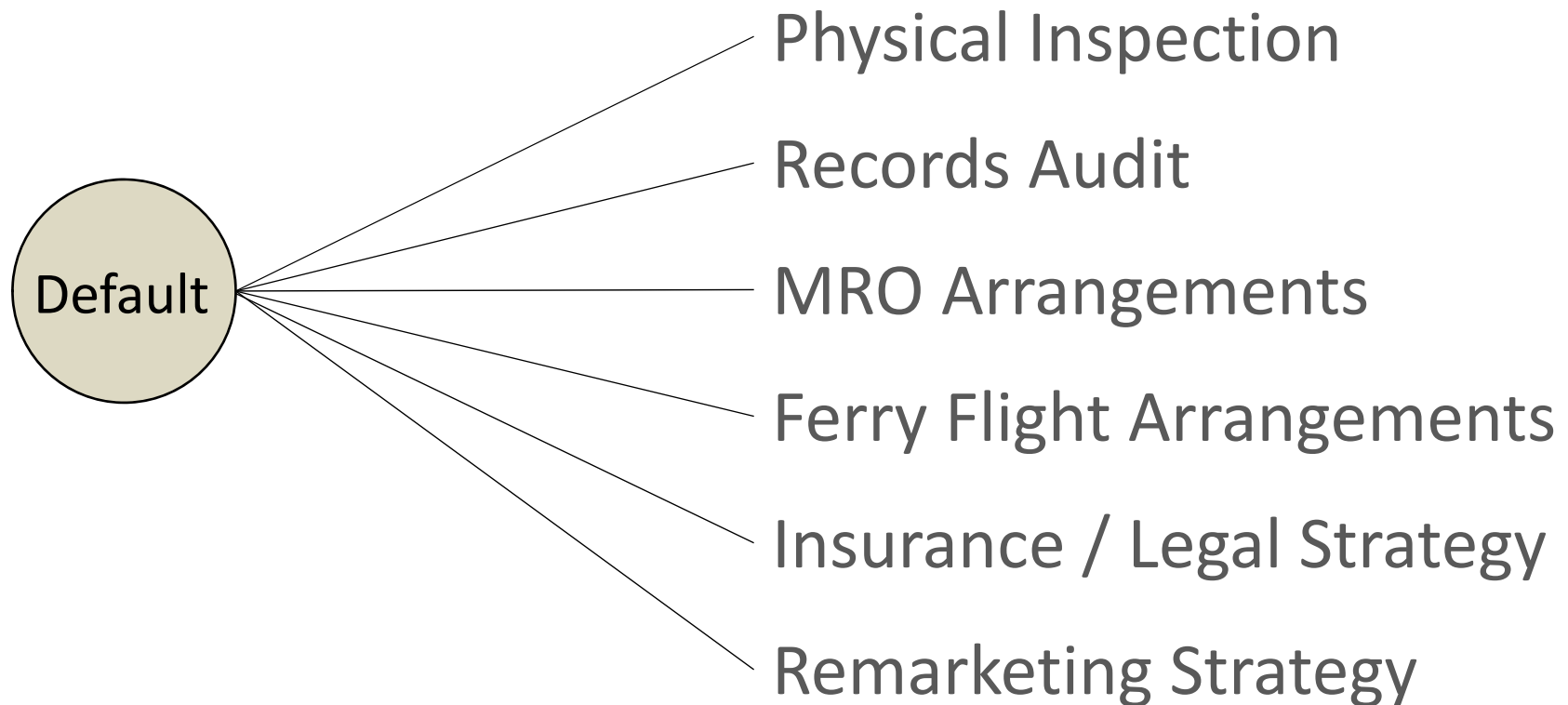
2. Contingency Planning - two likely scenarios consisting of : a.) Survive or b.) Default



Contingency Activities



Contingency Activities





A. Physical Inspection

- i. Access to aircraft for a complete physical inspections, consisting of :
 - ✓ general walk-round type inspection of aircraft interior & exterior including cockpit, main deck, lower cargo & avionics compartments
 - ✓ permission to take photographs will be required during this inspection.



B. Records Audit

i. Maintenance Status Reports

- ✓ Time since & remaining status reports for all major assemblies (Airframe / Engine/ APU, etc.)
- ✓ Airworthiness Directives compliance status
- ✓ Service Bulletin Listing status
- ✓ Location of engine & APU



B. Records Audit

- i. Maintenance Status Reports – continued
 - ✓ Status of Engine / APU / Gear Life Limited Parts
 - ✓ Status of time-controlled components
 - ✓ Component inventory status (listing of serialized components installed on aircraft).
 - ✓ Listing of major modifications / alterations



B. Records Audit

ii. Records Standards

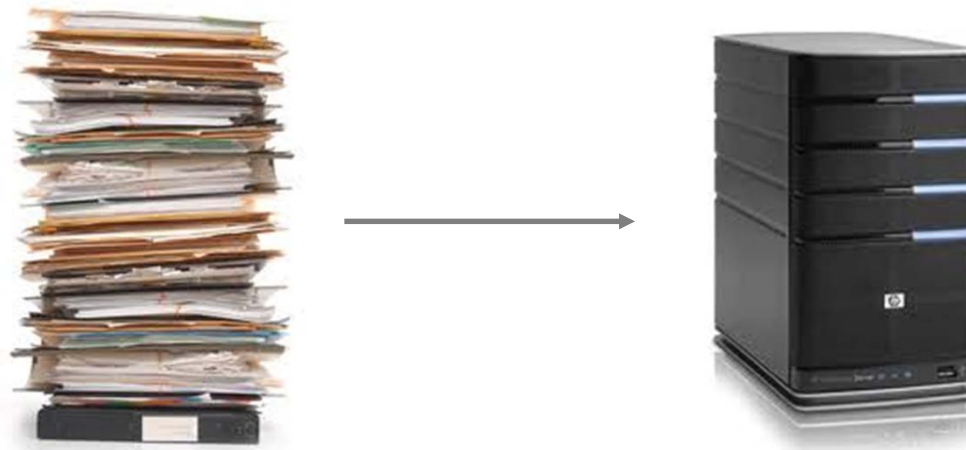
- ✓ Meets completeness, accuracy & adheres to current industry standards.
- ✓ Quality assurance sign-off on key records (i.e. AD compliance, modification records, LLP status, etc.)
- ✓ Records may need to be translated into English to meet next regulatory standards



B. Records Audit

iii. Records Backup

- ✓ Copy and scan all relevant historical and hard-copy records as electronic back-up





C. MRO Arrangements

- ✓ Have a GTA signed with MROs
- ✓ Ensure the MRO(s) can provide short-term and / or long-term storage capability
- ✓ Ensure the MRO has a Continuous Airworthiness Maintenance Organization (CAMO).



D. Ferry Flight Arrangements

- ✓ Have a GTA signed with ferry crew provider.
- ✓ If the flight service company does not have an arrangement with a fuel provider, then onus is on lessor to secure fuel supplies.
- ✓ Ground and flight insurance will need to be secured prior to aircraft ferry.



F. Insurance / Legal Strategy

- ✓ Insurance may be invalidated by a default scenario therefore :
 - One may need to request a limited grace period, and
 - Standby cover for ground risks and ferry flights may need to be put in place



F. Insurance / Legal Strategy

- ✓ A legal strategy should consist of :
 - Determining what entities (if any) can impose liens on the aircraft (i.e. airport, Eurocontrol, regulatory authorities, fuel providers).
 - Consulting with local lawyers to assess laws in respect of repossession.



E. Remarketing Strategy

- ✓ A remarketing strategy should consist of :
 - Establishing a contract with a reputable asset management service provider to:
 - Identify potential buyers and lessees for the aircraft
 - Advise the client of all realistic sale and lease options

Appendix A - Example Repossession Ledger



Maintenance Expenses

- \$ Next Sequential Check
- \$ Interior Reconfiguration
- \$ Modifications
- \$ Repaint
- \$ Engine / APU (shop visit / borescope)
- \$ Miscellaneous (components, repairs, etc.)

Appendix A - Example Repossession Ledger



Parking & Storage Expenses

- \$ Induction Fee
- \$ 3 – 6 Months Downtime
- \$ Reactivation



Legal / Insurance Expenses

- \$ Legal Fees
- \$ Liens by Authorities
- \$ De-Registration / Registration
- \$ Ground / Hull Insurance

Appendix A - Example Repossession Ledger



Consultant Fees

- \$ Records & Retrieval Inspections
- \$ Physical Inspection
- \$ Travel & Lodging



Aircraft Ferry Expenses

- \$ Crew Costs
- \$ Fuel Costs
- \$ Flight Insurance

Contingency Planning

Appendix B - Example Return to Service Costs



Maintenance Cost Journal

Tasks	Aircraft Types			
	737-800	A320	767-300ER	777-200ER
Hull Insurance	\$50,000	\$50,000	\$50,000	\$50,000
C-Check*	\$187,500	\$215,000	\$325,000	\$365,000
Engine Shop Visit	\$850,000	\$850,000	\$1,350,000	\$2,650,000
Repaint	\$ 25,000	\$25,000	\$35,000	\$40,000
Legal Costs for new Lease/Sale	\$100,000	\$100,000	\$100,000	\$100,000
Reactivation	\$11,000	\$11,000	\$15,000	\$15,000
Registration Transfer (N-reg to EASA)	\$400,000	\$400,000	\$500,000	\$500,000
Inspection & Records Retrieval	\$18,000	\$18,000	\$22,000	\$25,000
Ferry Flight	\$50,000	\$50,000	\$60,000	\$60,000
Cabin Reconfiguration	\$200,000	\$200,000	\$1,600,000	\$2,100,000
Total	\$1,891,500	\$1,919,000	\$4,057,000	\$5,905,000