

Ireland

AIRCRAFT LEASING SECTOR

Ireland's role as a centre of excellence in the aircraft leasing sector is undisputed and working together will ensure our sustained growth. Aircraft leasing has developed rapidly in recent years, shrugging off its former reputation as a niche sector and cemented itself firmly in the mainstream thanks to the surging global demand for air travel.

In recent years, airlines have recognised the importance that leasing can play in their long-term growth strategies, enabling them to manage cash flow and thus increasing their fleets to manage passenger demand.

The leasing sector has also been a key enabler of the growth of new airline entrants in the market and has helped facilitate the development and adoption of next generation aircraft types which are delivering step changes in airline operating economics and fuel efficiency.

Ireland as a centre for innovation for global aviation. I have worked in the aviation sector for many years and I am proud to say that I have seen Ireland play a leading role in driving the global growth of the sector and producing some of its most innovative companies.

We have a long tradition playing a significant role to a diverse number of companies in the sector, some of which have directly spun out of aircraft leasing – world class airlines like Aer Lingus and Ryanair, MROs such as Dublin Aerospace and progressive regulators like the IAA.

We now have 15 of the world's largest leasing companies with their headquarters here. To put that in context, an Irish aircraft takes off or lands close to every two seconds in the world and, according to PwC, Irish lessors manage over 65% of the world's commercial aircraft and employ close to 5,000 people both directly and indirectly.

And the industry is poised for continued growth. Notwithstanding some of the challenges that the sector is facing with recent airline bankruptcies and the continued grounding of the Boeing B737 MAX, the demand for aircraft is set to continue to grow as passengers want to travel more, predominantly in Asia and South America, in line with the rise of disposable income.

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The role of Aircraft Leasing Ireland. Aircraft Leasing Ireland (ALI) was established in 2017 to represent the needs of the sector in Ireland and now represents 31 leasing companies who ensure the continued development and success of Ireland's aircraft leasing industry working collaboratively with the Irish Government and other stakeholders.

We are the envy of other jurisdictions like China, India and Hong Kong, so much so that respective governments have introduced new measures in these locations to encourage leasing companies to consider relocating their headquarters there.

However, while it would take a long time for any of these locations to replicate the Irish success story, we cannot rest on our laurels. The role of ALI is to also address some of the challenges that the sector is facing and how we can make it an even better sector for the future. This means addressing areas like future education and skills needs and maintaining the vibrant ecosystem that has been created here.

For example, the ecosystem supports a significant amount of professional jobs for lawyers and accountants but also technical skills to support the growth of a healthy MRO (maintenance, repair and overhaul) sector which provides much needed technical skills to inspect aircraft and to facilitate the transition of aircraft from one operator to another.

Leasing's role in supporting sustainable growth. But rather than just the operating environment, we also need to look at the future challenges affecting the sector itself – for example how can aircraft leasing maintain its entrepreneurial spirit and turn this towards addressing some of the larger challenges faced by the leasing industry and the broader aviation sector?

There are issues that are facing us that mean we need to look at the way we work through a new lens. For example, how do we



create more diverse and inclusive workforces so that the future workplace for aircraft leasing companies is sustainable? As facilitators of air travel, how do we address global warming and climate change and how do we innovate in a sector that could leverage technology to its advantage?

These are questions that are not easily answered but progress in these areas is crucial for the long-term sustainability of our industry. The pace of change in leasing in reality just has not been quick enough but I am glad to say that it has started. It will take time and resources and working collaboratively with the wider industry including the OEMs and our customers to come up with solutions but we acknowledge that we have an important role to play and this is an area that ALI is looking at very seriously and now is the time where we need to act to enhance this sector for the future.

Harnessing technology. Looking at the leasing and trading and novating of aircraft, we are still doing things the same way we always have done, pretty much since the industry began. Leasing, trading and novating aircraft still requires onerous documentation which is costly both to ourselves and to our airline and investor customers.

In reality, we have become inefficient because the number of leases and also numbers of aircraft traded have increased dramatically in recent years. But we are now starting to wake up to the benefits that technology can bring.

GATS – the Global Aircraft Trading System has been achieved through working together and was conceived by all the main leasing companies coming together to discuss how we could alleviate some of the pain for airlines caused by novations, the transfer of ownership, or creation of a new lease for an aircraft. This will ultimately revolutionise how aircraft are bought and sold.

Developed by an Irish technology company, Fexco, GATS effectively introduces an electronic trading platform with a secure, live and searchable electronic ledger displaying details of ownership, transfers and security interests in GATS aircraft-owning trusts. There will now be no need for a lease novation which dramatically reduces the requirement for legal advice, thus reducing costs for all parties.

Key highlights of GATS:

- GATS will be a fully electronic system, with e-signatures, e-delivery of documents and use of a secure electronic ledger to record transactions.
- Each aircraft will be owned by a US, Irish or Singapore trust.
- The sale of an aircraft will be performed by an e-transfer of the beneficial interest in a trust.
- The transfer and related documents will be standardised and executed and delivered electronically.



Ireland plays a significant role to a diverse number of companies in the aircraft sector, including world class airlines like Aer Lingus and Ryanair, MROs such as Dublin Aerospace and progressive regulators like the IAA.

- GATS will not change commercial terms agreed with an airline in leases. Any conditions to a transfer can be integrated into a GATS transaction, which preserves all rights and protects all parties.
- GATS is a voluntary system open to all industry players.

But we acknowledge that this is just the beginning. And we now need to rise to the challenge of what other benefits technology could mean for improvements in leasing. It is now up to the sector to put resources into looking at ways in which we can innovate further so that we can fundamentally change over the next few years.

In October 2019, ALI facilitated a roundtable discussion with government and advisers to look at how other sectors have benefited from technology and now we have a framework to bring this discussion on further.

But it cannot stop there. We are also very conscious of our need to do more as an industry when it comes to ensuring that we move forward at the same pace as other industries and create new platforms for the future such as new diversity and inclusion initiatives and addressing climate change and the environment which are critical to that debate and to our future as an industry.



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