Executive Summary

I. Development and importance of aircraft leasing

Aircraft leasing has rapidly developed and expanded over the last 50 years. Prior to the 1970s barely 1% of all commercial aircraft were subject to operating leases. Today, that number is approximately 40%. The growth of leasing can be attributed to a combination of practicality and efficiency: leasing facilitates the efficient use and redeployment of aircraft, regardless of age, size, type or location. Leasing supports modern and fuel efficient air transport. It provides an attractive source of financing and/or supply of aircraft in a capital intensive industry, while providing operational and fleet planning flexibility to operators. It also provides financiers and investors with an opportunity to secure lending or investment in the aviation industry against a diversified portfolio of aircraft equipment, which aircraft leasing companies are well placed to provide.

II. Principles of aircraft leasing

The core principles underlying aircraft leasing transactions are as follows:

Separation of ownership from control – there is a basic split between ownership (lessor/financier) and operation, use, and control (operators). Operational responsibility and risk resides with operators, who are best positioned to minimise and manage such responsibilities and risks.

Efficient redeployment of aircraft – the basic economics of the leasing industry assume continuous use of aircraft, which, in practical terms, means the ability to promptly redeploy aircraft after the term of a lease or an early termination. Legal or other impediments which delay redeployment add costs that are passed through the system, adversely affecting all parties, including operators and passengers.

Certainty of rights and responsibilities – leasing contracts are complex instruments entered into by sophisticated parties, usually represented by legal advisers, in a competitive marketplace. The lease agreement and related contracts set out the respective rights and obligations of the parties. It is essential that these rights and obligations are enforceable on the terms set out in such contracts so that the allocation of risk is in line with what has been agreed between, and is expected by, the parties. Greater certainty in respect of risk allocation creates greater efficiency in the aircraft leasing market and more attractive pricing for aircraft operators.

III. Aircraft leasing and regulatory policy

Key aspects of regulatory policy which follow from the foregoing principles are as follows:

Commercial and insolvency law – must (i) respect property rights in aircraft, (ii) facilitate the ability to promptly redeploy aircraft, both in the ordinary course and where an aircraft must be repossessed, and (iii) enable the enforcement of leases and related contracts, as drafted, in each case, inside and outside insolvency.

Liability law – must not hold lessors liable for loss or damages to passengers or third parties on account of operational risks. Lessors cannot control these risks: operators operate aircraft and regulators regulate that operation. This allocation of risk is reflected in the universal practice of operator indemnities in favour of lessors in respect of operational risk. There is no place for rules of owner-based strict liability or other theories that hold lessors liable for operational risk.
Insurance law – must permit an operator effectively to secure insurance cover for property loss and liability risk for the benefit of lessors. That is universal practice, given its efficiency. Such insurance, in addition to the above-noted operational indemnities, is the commercially required method of addressing operation-based loss and liability. In particular, lessors must remain insured in cases of an operator’s breach of its insurance contract or any other condition that would invalidate cover for the operator.

Lien law – must not permit a lessor’s ownership or property rights in an aircraft to be adversely impacted by liens or detention caused by an operator’s actions or omissions. Parties dealing with operators, including airports and aviation authorities, are positioned to self-protect against non-performance by operators without recourse to aircraft owned by third parties. So-called super-priority liens and related rights of detention, in effect, expropriate property of innocent third parties.

Regulation relating to cross-border transferability of aircraft – must permit efficient redeployment of aircraft to new operators. A high percentage of aircraft are re-registered in different countries several times during their useful lives, meaning there is a need for efficient cross-border transferability rules. Regulatory overlap and duplication among national systems should be minimised and eventually eliminated. Importation rules must be based on risk assessment, not aircraft age.

Accounting rules – must ensure that accounting treatment is in line with and reflects the economic realities of the leasing transactions, considering the contract as a whole and rights and obligations of the parties thereto.
I. DEVELOPMENT AND IMPORTANCE OF AIRCRAFT LEASING

A brief history of aircraft leasing

1 The vast majority of early aircraft operators were national carriers with significant government support. As such, most early financing arrangements were based on low default risk, the supported operator owning the aircraft and using it for the entirety of its useful life.

2 The advent of jet powered aircraft resulted in competitive aircraft manufacturers, each hoping to secure transatlantic transport market share. However, not all airlines were in a position to acquire large amounts of capital intensive aircraft equipment, and, as a result, a new market was established for intermediaries who were willing to take the risks and rewards of owning and leasing aircraft.

3 Since then, aircraft leasing has expanded by every metric, including volume, percentage and geographic spread. There has also been corresponding product diversification, seeking to meet evolving demand. While there are many variants of each, the two core lease types are operating leases and finance or capital leases. Under operating leases, substantially all of the financial risks and rewards of ownership remain with the lessor, whereas under finance or capital leases they are transferred to the operator.

4 The development of aircraft leasing must be seen in the broader context of the development of air transport and the associated amount of capital needed to support that development. Air travel has recorded sustained growth over past years and is projected to further expand at a steady pace. According to Airbus and Boeing respectively, it is estimated that between 37,463\(^1\) and 42,180\(^2\) aircraft will be in operation by 2033 compared to 20,910\(^3\) in 2013. A total of between 31,358\(^4\) and 36,700\(^5\) new aircraft are projected to be delivered over the next 20 years, worth approximately US$4.6 trillion\(^6\). The approximate number of aircraft on operating lease in 1970 was around 1% of the world’s total fleet. In 2014, that figure is around 40%. From a policy perspective, it is critical that the regulatory framework applicable to aircraft leasing must continue to develop in a manner which supports these transactions, thus strengthening the global air transport system.

1 Airbus Global Market Forecast 2014-2033
2 Boeing Current Market Outlook 2014-2033
3 Boeing Current Market Outlook 2014-2033
4 Airbus Global Market Forecast 2014-2033
5 Boeing Current Market Outlook 2014-2033
6 Airbus Global Market Forecast 2014-2033
Benefits of aircraft leasing

Whether a start-up or established airline, aircraft operators will rarely have the ability to purchase all of their aircraft outright. Even when operators have available cash reserves, purchasing aircraft outright involves taking residual value risk on the aircraft and, where funded with cash, use of significant amounts of capital that could be used elsewhere in the operator’s business. A less capital intensive option is to finance the acquisition of aircraft, with the bank taking security over the asset. However, as this route requires significant equity, it is costly, particularly for operators that do not have a robust credit position.

Leasing enables operators to begin or expand operations without the need to hold extensive cash reserves or to utilise existing cash reserves. Because aviation is a cyclical industry, aircraft market values fluctuate. Operators have the expertise in running transport operations whereas lessors’ business is based on the investment in aircraft as assets. Lessors are well placed to buffer aircraft value fluctuations and to redeploy aircraft globally in order to maximise revenues and values.

Operating leasing may provide operational flexibility not enjoyed by airlines that own aircraft. Aircraft availability on short notice and for shorter terms allows operators to expand routes as opportunities emerge and reduce them when demand falls, thereby tracking cyclical trends of demand for air transport. This results in more routes and more travel choices for passengers.

II. PRINCIPLES OF AIRCRAFT LEASING

Nature and characteristics of aircraft leasing

Under an operating lease, the lessor retains the financial risks and rewards incidental to ownership of the aircraft. Finance (or capital) leases, on the other hand, provide the operator with the option to acquire ultimate ownership of an aircraft at the end of the lease for less than the expected fair market value (at the commencement of the lease), with the rent payments during the lease term effectively amortizing most of the initial value of the aircraft. As such, under a finance lease, substantially all the financial risks and rewards incidental to ownership are transferred to the operator and from an accounting point of view the aircraft is included on the operator’s balance sheet.

Often, operators will enter into purchase contracts with manufacturers and then assign the ownership right to a lessor and lease the aircraft from such lessor under either an operating lease or a finance lease – the so-called sale and leaseback.

Separation of ownership from control

Regardless of the characterisation of the lease, ownership of the aircraft will remain with the lessor or financier throughout the term of the lease. Lessors are financial service providers who have no operational control of the aircraft during the lease. They are passive owners of their assets. This separation of ownership and control is an essential ingredient of leasing.

The entity with operational control of aircraft equipment is best placed to manage all risks associated with its operation and use and to bear all associated costs. Every operator’s basic business model is based on this principle. Lessors do not have the capacity to continuously monitor and ensure full compliance with aviation laws and regulations that govern the operation of aircraft. Compliance with such laws and regulations is the responsibility of the aircraft operator.

Lessors and financiers take credit, default and insolvency risk on the operator, much like banks take risk on borrowers. The aviation leasing market is sufficiently flexible and active to take account of and price credit risks. Insolvency risks, on the other hand, are more difficult to price because they are jurisdiction specific. Lessors also take on remarketing and residual value risk as well as general maintenance risk in cases where the aircraft is off-lease. Each of these risks is factored into the pricing of leases.
Efficient redeployment of aircraft

One of the basic economic principles of leasing assumes that leased aircraft are continuously in revenue service. This, in turn, assumes that the lessor has the ability to redeploy the aircraft seamlessly and on short notice. A decrease in demand in one market or region may encourage a lessor to redeploy an aircraft in a growing or resilient market elsewhere in order to meet demand and maximise revenue. Efficient redeployment will depend on the ease with which an aircraft can be transferred from one jurisdiction’s set of regulations to another. Efficient redeployment is also heavily reliant upon the ability of lessors to take possession of their aircraft following default by, or insolvency of, an operator. Laws and regulations that delay recovery of aircraft and cross border transfer of aircraft adversely impact on pricing of aircraft leasing for operators, and, ultimately, the prices offered to passengers.

Certainty of rights and responsibilities

Leasing contracts are complex instruments agreed among sophisticated parties, often represented by legal advisers, in a competitive marketplace. Operators either deploy their in-house experts or appoint external advisers to negotiate lease terms. The lease and related contracts set out the respective rights and obligations of the parties. It is essential that these rights and obligations are enforceable on the terms set out in such contracts so that the allocation of risk is in line with what has been agreed between, and is expected by, the parties.

III. AIRCRAFT LEASING AND REGULATORY POLICY

Liability law

The separation of ownership and control of leased aircraft equipment was recognised early in the aviation industry. Today, that same principle is embodied in laws around the world. The correct policy implication of that principle is that lessors should not be liable for loss or damage to passengers or third parties on account of operational risk (or merely its status as asset owner).

The proper allocation of risk for operation of aircraft equipment is reflected in the universal practice of operational indemnities given by operators in favour of lessors. This principle is increasingly recognised internationally by states amending their liability laws to exclude operational liability for lessors.

A fair allocation of risk depends on the individual party’s responsibility for the act in question. A presumption by some states that the registered owner is also an operator must be changed. A welcome development in this area is the adoption of international treaties that recognise the distinction between ownership and operational control for the purpose of allocation of liability, including in the context of terrorist acts. These treaties provide a clear exoneration of lessors and financiers, recognising the fundamental principle that the economics of the aviation industry do not support lessors and financiers taking on any risk associated with third-party or passenger liability.

Lien law

The separation of ownership and control of leased aircraft equipment means it is important that there exists a system for recognition of lessors and financiers rights in such aircraft equipment.

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7 For example, in 1948 the U.S. Congress amended the Civil Aeronautics Act of 1938 so that it limited ‘the liability of certain persons not in possession of [the] aircraft’. The rule is currently embodied in section 44112(b) of 49 United States Code, which provides that a lessor is liable for personal injury, death or property loss or damage on land or water only when a civil aircraft, aircraft engine, or propeller is in the actual possession or control of the lessor, owner, or secured party. The United States Congress has repeatedly reiterated this principle as fundamental.

8 The Convention on Compensation for Damage Caused by Aircraft to Third Parties, also known as the General Risks Convention and the Convention on Compensation for Damage to Third Parties, Resulting from Acts of Unlawful Interference Involving Aircraft.
Pursuant to Article I of the 1948 Geneva Convention,\(^9\) each contracting state undertook to recognize property rights and security interests which had been created under the laws of the state of registration of the aircraft. The Geneva Convention has been superseded in states which have adopted the Convention on International Interests in Mobile Equipment (the Cape Town Convention), and an associated Protocol to the Convention on Matters Specific to Aircraft Equipment (the Protocol) (the Cape Town Convention and the Protocol, together, the Convention). The Convention provides a system for registration and priority of ‘international interests’ in aircraft equipment held by lessors, owners and financiers. The Convention also allows contracting states to preserve\(^10\) the priority of certain non-consensual rights which exist under its domestic laws for certain types of creditors (e.g. employees’ unpaid wages, taxes and repairers’ or warehouse liens).

19 Eurocontrol is in charge of safety and air navigation charges in its 40 member states. Whereas the collection of route charges falls within Eurocontrol’s remit, the enforcement in case of non-payment of charges is left to the member states. In the UK, both airport operators and the Civil Aviation Authority have the authority not only to detain an aircraft for debts owed by the operator of such aircraft but also to detain any other aircraft of which the person in default is the operator at the time when the detention begins (this is known as the ‘fleet lien’). Furthermore, upon detaining an aircraft, these entities have the authority to sell such detained aircraft if the debt owed is not repaid within a specified period (up to 56 days).

20 In Canada, the courts have decided that the authorities have the right to exercise a fleet lien. A recent case decided that termination or expiry of an operator’s right to operate and possess an aircraft is not sufficient to render that aircraft seizure-proof, and that repossession of that aircraft by a lessor would be necessary. This renders aircraft that are no longer leased to an operator subject to a fleet lien for all debts incurred to the Canadian authorities by the operator. Such interpretations are likely to incline lessors and financiers to repossess aircraft equipment at the earliest signs of operator financial difficulty or default.

21 The fleet lien has been challenged on the basis that such super priority and detention rights penalise third parties, such as lessors and financiers, who neither contributed to the incurred debt nor have the practical ability to prevent that debt from accumulating. Fleet liens and associated powers are outdated, failing to recognise developments in the aircraft leasing market, and do not meet the requirements of lawfulness such as foreseeability, absence of arbitrariness and compliance with the rule of law. There are no transparent rules as to the circumstances in which, and the aircraft against which, the fleet lien will be exercised. Neither the foregoing airport operators nor Eurocontrol have any published rules or guidelines as to the circumstances in which fleet liens will be exercised or how they may be exercised. Further, unpaid air navigation and airport charges do not constitute a significant problem for such airports or Eurocontrol.\(^11\)

22 While a lien or right of detention against an aircraft in respect of unpaid airport or air navigation charges relating to its use is problematic and should not apply in the leasing context, a fleet lien violates fundamental legal and economic principles. The few current laws supporting fleet liens should be changed.

*Environmental liens*

23 The European Union extended its policy on carbon dioxide emissions to the aviation industry from 1 January 2012. In addition to general obligations of Member States to reduce greenhouse gas emissions, operators arriving in or departing from the European Economic Area\(^12\) are now subject

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\(^10\) A Contracting State may only restrict or preserve domestic laws but may not expand the scope of non-consensual rights. See Official Commentary to the Convention, Third Edition, paras 2.210 and 2.216, which provide that: ‘[a] declaration which purports to cover preferred interests beyond those provided by national law will to that extent have no effect under the Convention’.

\(^11\) Prior to the fleet lien, approximately 95-96% of charges were collected.

\(^12\) The European Economic Area (EEA) is comprised of the European Union countries, Iceland, Liechtenstein and Norway.
to a carbon dioxide emissions cap. If an operator exceeds its limit, it may purchase additional allowances. Under the European Union Emissions Trading Scheme Directive, regulators may obtain fleet lien rights of detention and powers of sale for non-compliance with these environmental obligations. The reduction of the aviation industry’s impact on the environment is important. However, practices and environmental regulation that reduce the environmental impact of aviation must not interfere with the ownership rights of third parties that have no control over emissions, such as lessors and financiers.

Insurance law

Operators assume operational risk and control of the aircraft and are therefore best placed to purchase and maintain insurance protection. Subject to de minimis thresholds, lessors and financiers will normally be entitled to receive proceeds paid out of the cover in the event of physical damage to the aircraft or lessor or financier liability to passengers or third parties. Most often, this is achieved by adding standardised aviation endorsements to the operator’s insurance policies, the effect of which is to include lessors and/or financiers as additional insureds on such policies and to provide for a loss payable clause in their favour.

Availability of insurance cover to lessors and financiers is integral to the industry’s efficient operation. Prior to the adoption of standardised aviation endorsement AVN67, a material non-disclosure, misrepresentation or breach of the insurance policy terms by the operator (over which lessors and financiers have no control) that would have entitled insurers to deny cover to the operator could also have invalidated the cover of lessors and financiers. The AVN67 endorsement recognizes that it is essential for lessors and financiers to have a separate contract of insurance with the insurer unaffected by any such non-disclosure, misrepresentation or breach of policy terms by the operator. The commonly used AVN67B endorsement also provides that the coverage afforded to lessors and financiers under the operator’s policies will not be invalidated even where such parties acquire knowledge of an operator’s breach in some other capacity, e.g. as manufacturers.

However, this broadly accepted endorsement has been disturbed by a case in the United States which found that claims of additional insureds such as lessors and financiers should be treated ‘jointly’ with respect to certain types of claims. Commentators have observed that the findings in this case were erroneous, in particular in attributing knowledge of an aircraft operator to a third party insured and in ignoring the explicit language and commercial purpose of the AVN67B insurance endorsement which provides protection for lessors and financiers from the independent acts of aircraft operators.

Commercial and insolvency law

Cape Town Convention

As of October 2014, 62 states have ratified the Convention and it is fast becoming one of the most successful commercial treaties. Central to the purpose of the Convention is the creation of a framework facilitating the efficient financing and leasing of aircraft through harmonised international rules creating clear priority and recognition and enforcement of property and security rights in aircraft equipment.

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13 From 1 January 2013 to 31 December 2016, operators of aircraft flying to and from non-EEA countries are not required to comply with the requirements of the EU ETS Directive (see Regulation (EU) No 421/2014 of the European Parliament and of the Council amending the EU ETS Directive 2003).
14 As certain sanctions for non-compliance with the EU ETS Directive are left to Member States to determine, specific rules regarding detention, sale and penalties may vary between Member States. In the UK, the regulator has powers of detention and sale on a fleet-wide basis, where the operator is subject to an operating ban imposed by the European Commission.
16 A detailed and up-to-date ratification status can be found at: [http://www.unidroit.org/status-2001capetown](http://www.unidroit.org/status-2001capetown)
The Convention aims to facilitate the acquisition, leasing and financing of aircraft equipment through the creation of ‘international interests’ which can be registered and are recognised in all contracting states and to provide creditors, such as lessors and financiers, with a range of basic remedies in instances of default, including advance relief, to allow the prompt recovery of aircraft equipment. These aims are designed to give lessors and financiers confidence in their assessment of the risks involved with entry into aircraft leasing and financing transactions, thereby reducing the cost to the advantage of all interested parties. This certainty, and the harmonisation of international rules which are familiar to lessors and financiers, particularly assists the risk assessment in less known markets.

To fully benefit from the Convention, it is not sufficient solely to ratify the Convention. A contracting state must effectively implement the Convention by making the ‘qualifying declarations’, which are designed to allow prompt recovery of aircraft equipment following default or insolvency of an aircraft operator, and must ensure that the Convention and such declarations have primacy over conflicting national law and are complied with.

**Contractual rights**

It is important that the rights and obligations of the parties to lease contracts are enforceable on the terms set out in such contracts so that the allocation of risk is in line with what has been agreed between, and is expected by, the parties. One example of particular importance is the detailed lease redelivery conditions in lease contracts with which operators must comply, and on which lessors rely, in order to facilitate the efficient redeployment of aircraft as well as to manage the lessor’s residual asset value risk. As operators have control over the operation and maintenance of leased aircraft equipment, they have a responsibility for ensuring that the aircraft equipment is in the required condition. Failure to meet this responsibility may lead to delay in delivering the aircraft to the next operator and/or additional costs to the lessor. That is why any delay in meeting the redelivery conditions will most often mean that the rent continues to accrue and usually at an increased rate.

Disputes can arise in relation to delivery and redelivery conditions and courts need to be well informed of the market practice surrounding the allocation of responsibilities to operators. The Court of Appeal of England and Wales has confirmed this allocation of responsibility and has upheld customary lease terms which provide that an aircraft acceptance certificate serves as conclusive proof that an operator has examined and accepted the condition of an aircraft. The Court of Appeal noted that, given the complexity of a modern passenger aircraft and the impossibility of eliminating the risk of undiscovered defects at delivery, neither the lessor nor the operator can be absolutely certain of an aircraft’s condition at the point at which the operator accepts delivery but that the signing of the acceptance certificate provides a contractual mechanism for the parties to allocate this risk (noting also that a lessor does not have control of the operation or maintenance of the aircraft).

**Insolvency**

Central to the efficient pricing of aircraft leasing and financing transactions is the ability to predict, with a high degree of certainty, the time it will take to recover aircraft equipment in the event of default or insolvency of the operator. The time taken to recover the aircraft equipment (and the protections afforded in the intervening period) will impact on the value of the aircraft equipment and the future revenue that can be generated by the aircraft equipment. There are jurisdictions in which repossession rights relating to aircraft following insolvency of an operator can be extremely unpredictable, either due to long moratoriums or rights of other creditors taking priority. It is with this in mind that the drafters of the Convention sought to ‘positively impact on the cost and

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17 For a list of qualifying declarations, see Annex 1 of Appendix II to the OECD’s 2011 Aircraft Sector Understanding.
18 For further details on contracting states that have effectively implemented the Convention, please see the ‘Summary of National Implementation’: http://awg.aero/assets/docs/CTC-IP%20Summary%20Chart.pdf
19 ACG Acquisition XX LLC v Olympic Airlines (in special liquidation) [2013] EWCA Civ 369.
availability of finance for high-value mobile equipment’. One of the five key objectives of the Convention is to provide the creditor with a range of remedies in case of operator default or insolvency. The need for predictability provided by clear rules and timelines is understandable given the frequency of insolvencies among aircraft operators and the particular complexities associated with recovery of mobile and high value equipment.

Alternative A of Article XI of the Protocol, which is modelled on Section 1110 of the United States Bankruptcy Code, provides that upon the occurrence of an insolvency related event, the insolvency administrator shall either cure all defaults or return the aircraft to the lessor no later than the end of a specified period (such period to be nominated by the contracting state). All but one contracting state that have made an Article XI insolvency declaration have opted for Alternative A. All countries should elect Alternative A, as now being international best practice and as a condition to maximising the economic benefit of leasing.

**Regulation relating to cross-border transfer of aircraft**

The primary objective of aviation industry regulators is safety. Ensuring the required safety standards are met by operators is dealt with individually by each state. While certain international standards exist, lack of harmonisation results in duplication and overlap of work and produces substantial cost inefficiencies. An AWG study has shown that 58% of national rules addressing aircraft technical requirements are similar and purport to achieve the same result. The present system produces significant inefficiencies for both lessors and operators. Cross-border transfer of aircraft can be unduly complicated and the cost arising from such inefficiencies is estimated to be US$370 million annually and may, if substantial harmonisation is not achieved, exceed US$7 billion over the next 20 years. Enhanced rules that facilitate the cross-border transferability of aircraft are vital in an industry where a large proportion of aircraft are not operated by their owners and where aircraft are often operated by operators in different states during their useful lives.

Several important projects are underway that are designed to enhance cross-border transferability. These projects focus on creating:

(i) harmonised format and content of technical records at the time of transfer;
(ii) standardised records requirements; and
(iii) an international repository of national import requirements.

Significant work has been undertaken by and under the auspices of the International Civil Aviation Organization (ICAO), including through (a) the establishment of a “Circular 95” repository which includes national import requirements, (b) expanded guidance materials on import, export and airworthiness, and (c) further elaboration on the delegation rules set out in art 83bis to the Chicago Convention. Within Europe, the European Aviation Safety Agency is driving harmonisation, including as regards records requirements. The U.S. Federal Aviation Authority remains a leader in this field.

The ICAO “Circular 95” repository platform is designed to allow easy comparison of national import requirements, which may encourage national authorities to harmonise rules. In addition, both time and resources can be saved by operators and lessors if quick access is provided to this information, resulting in overall reduction of transaction costs. Similarly, enhancing the ICAO

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22 Ibid.
guidance on import, export and airworthiness of aircraft will provide the industry with a comprehensive guide on reference benchmarks and should encourage voluntary adoption of common policy by individual states.

37 Safety regulation should be risk-based and data-driven. Some countries have diverted from that principle by imposing absolute age-based restrictions on the importation of aircraft. Such restrictions, which do find support in safety data,23 should be replaced by rules based on risk assessment.

**Accounting rules**

38 From a lessor’s perspective, current international accounting rules fairly reflect the economic and the financial picture in operating24 and financial leasing25 transactions. Given concerns about such rules for the users of a lessee’s financial statements, the International Accounting Standards Board and U.S. Financial Accounting Standards Board are currently considering certain changes to lease accounting. The final terms of any such changes must ensure that accounting treatment is in line with and reflects the economics of leasing transactions, considering the contract as a whole and the rights and obligations of the parties thereto.

END

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23 A study on this topic, addressing aircraft age and safety, will be posted on the AWG website in the coming period.

24 International Accounting Standards - 17.36 - 17.48 and the Statement of Finance Accounting Standards No. 13, paragraph 18 (as amended).