

Evaluate Aircraft Lease \ Interchange Agreement

**CAAI DIRECTIVE
AW/OPS 1.1.238**



**AIR OPERATOR
SURVEILLANCE**

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Evaluate Aircraft		Revision 2
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1. Objective

- 1.1 This directive provides guidance for evaluating aircraft leases and interchange agreements for Israeli air operators in order to determine who is responsible to the operation of a leased aircraft, and to amend the Operations Specifications (OpSpecs) and verify amendment to the operator Manuals if needed.
- 1.2 This is a common directive for Airworthiness and Operations inspectors.
- 1.2.1 Close coordination between AW and OPS inspectors in executing this directive is required.
- 1.2.2 The Airworthiness Inspector will be the lead inspector in executing this directive, unless otherwise determined.
- 1.2.3 Any amendments to this directive must be made to both AW Inspector Handbook and OPS Inspector Handbook.

2. General

2.1 Definitions

2.1.1 Lease

Any agreement by a person (the lessor) to furnish an aircraft to another person (lessee) to be used for compensation or hire purposes;

2.1.2 Dry Lease

Any agreement in which a lessor, (which could be an air carrier, bank, or leasing company) leases an aircraft without flight crewmembers to an air operator (the lessee).

2.1.3 Wet Lease

Any agreement in which a lessor leases an aircraft with the flight crewmembers to the lessee.

2.1.4 Interchange Agreement

A specific type of dry lease which is an agreement between air operators in which the operational control of an aircraft is transferred for short periods of time from one air operator to another. With this type of agreement, the latter air operator assumes responsibility for the operational control of the aircraft at the time of transfer.

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2.1.5 **Operational Control:**

The exercise of authority over the initiation, continuation, diversion or termination of a flight in the interest of the safety of the aircraft and the regularity and efficiency of the flight.

2.1.6 **Lessee:**

The party using the aircraft under the provisions of a lease.

2.1.7 **Lessor:**

The party furnishing the aircraft under a lease.

2.1.8 **DGCA:**

The director general of the civil aviation authority of Israel and any inspector appointed by him to determine who is responsible of the operational control over a leased aircraft;

2.2 **Determining the responsibility of operational control**

2.2.1 It is necessary to examine the manner in which the operations are to be conducted, to determine which party to a lease will actually have operational control and hence responsibility and accountability for safety.

2.2.2 According to Reg. 361 of the Air Navigation Regulations (Operation of Aircraft and Rules of Flight), 1981 (hereinafter – **the regulations**), it is the responsibility of the DGCA to determine who is responsible for the operation of a leased aeroplane and is to be considered as having operational control over its operation. Such determination is to be made whether the lease is dry or wet.

2.2.3 **Determining the responsibility of operational control - Dry-Leased Aircraft**

Normally, operational control of any dry-leased aircraft rests with the lessee. In most dry lease agreements, the lessor is a bank of either a leasing or a holding company. In neither case will the lessor have the operational expertise, the facilities, or the desire to assume responsibility and liability for controlling the day-to-day operations of the aircraft.

2.2.4 **Determining the responsibility of operational control - Wet-Leased Aircraft**

2.2.4.1 In wet leases the lessor normally exercises operational control of the aircraft, i.e. the aircraft will be operated under the AOC of the lessor.

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2.2.4.2 However, the fact that the lease is characterized as a wet lease does not automatically make the lessor responsible for operational control.

2.2.4.3 The decision to be made is whether the aircraft should be operated under the lessor's AOC and associated operations specifications, or whether it should be operated under the authority of the lessee.

2.2.4.4 The usual determination is that if a party (the lessor), leases an aircraft to another and also provides the flight crew, maintenance and fuel for the aircraft, it is regarded as the air operator who is responsible for the operational control.

2.2.4.5 In many cases the responsibility to the operational control is allocated in the lease agreement. However, operational control of the aircraft may be the responsibility of the lessor even though the lease may be characterized in terms similar to those of a dry lease, expressly stating that services such as flight following, communications, weather information, etc. are to be performed by the lessee. In some instances, it is therefore necessary to examine the manner in which the operations are to be conducted, to determine which party to a lease will actually have operational control and hence responsibility and accountability for safety.

2.2.5 Factors to consider in determining the responsibility of operational control of a leased aircraft

Reg. 361 of the regulations provides that the DGCA shall determine which party of a leasing agreement have the operational control over a leased aeroplane, after considering if that party is exercising authority and responsibility for a specified number of operational functions, upon which are:

- who has control and responsibility over crewmembers and their training;
- the aeroplane's continued airworthiness and performing maintenance;
- scheduling flights and crewmembers;
- servicing of the aeroplane;
- initiating and terminating flights;

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- any other consideration considered necessary by the DGCA, in cases where there is doubt or controversy over who exercises operational control, such as who is responsible for maintenance, servicing, and crewmember training.

2.3 Interchange Agreements

2.3.1 An interchange agreement is a form of dry lease agreement. It allows an air operator to dry lease an aircraft to another air operator for short periods of time.

2.3.2 Occasionally, important details may be overlooked unless interchange conditions are closely monitored. Equipment variances can be potentially dangerous unless effective training or corrective action is taken before operations begin. For example, life rafts or an emergency radio might be improperly stowed during over-water flights on aircraft that have no provisions for their stowage, thus creating a hazardous condition in turbulent weather.

3. Reference Material, Forms & Job-Aids

3.1 Air Navigation Regulations (Operation of Aircraft and Rules of Flight), 1981.

4. Process

4.1 CAAI Responsibilities

4.1.1 Approval of the air operator's operations specifications and the approval/acceptance of the operations manual and the maintenance control manual, by inspectors assigned to each air operator, are amongst the responsibilities of the CAAI.

4.1.2 Another responsibility is the determination regarding the exercising of operational control of a leased aircraft. This determination must be made by reviewing the specific assignment of operational control listed on the lease\interchange agreement.

4.2 Review of a Lease\Interchange Agreement

4.2.1 The aircraft lease\interchange agreement should be reviewed to determine if all of the responsibilities of the lessor\lessee are described, and to determine who is responsible for the operation of the leased aircraft.

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4.2.2 The PMI must ensure that the lease\interchange agreement contains all the required provisions, including at the minimum:

- a) the lessor's and lessee's legal name and address;
- b) a description of the aircraft (manufacturer, model, serial number, and, if applicable, nationality and registration markings);
- c) a commencement and termination date of the lease;
- d) purpose of the operation relevant to the leased aircraft;
- e) a statement that the aircraft will be in the legal custody of the lessee for the duration of the lease.

4.3 Procedures for a Review of a Lease\Interchange Agreements

4.3.1 Determine if a Lease\Interchange Agreement Has Occurred.

Request a copy of the lease\interchange agreement or memorandum.

4.3.2 Review the lease\interchange agreement.

Ensure that:

- The lessor and lessee are properly identified on the agreement;
- All strikeovers, erasures, and corrections in the agreement are initialed by both the lessor and the lessee;
- The aircraft subject to the agreement is identified by aircraft make, model, serial number, and, if applicable, the nationality and registration markings;
- The effective dates of the lease\interchange are identified;
- Operational control is specifically designated;
- Responsibilities for performing maintenance are specifically designated, including maintenance programs (lessee's or lessor's) to be utilized;
- Responsibilities for keeping aircraft maintenance records are specifically designated;

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4.3.3 Review the Lessor's Manuals

Review the lessor's Operations Manual and Maintenance Control Manual to ensure that they contain the following:

- The Continuous Airworthiness Maintenance Program (CAMP), for the aircraft, engines, propellers (if applicable) and appliances;
- The maintenance reliability program, if applicable;
- The training program for the maintenance personnel;
- Fueling procedures for the aircraft;
- Provision for use of the minimum equipment list (MEL);
- Provisions for leasing the aircraft.

4.3.4 Review the Lessee's Manuals

Review the lessee's Operations Manual and Maintenance Control Manual to ensure that they contain the following:

- Procedures adequate to incorporate the leased aircraft into its operating system (aircraft acceptance checks, etc.);
- Provisions in the maintenance training program to account for any differences in the configuration of the leased aircraft from its existing fleet;
- A program that is adequate to provide for configuration differences if the aircraft is to be maintained under the lessee's maintenance program;
- A MEL that is applicable to the leased aircraft;
- Procedures for the use of the lessor's CAMP for the aircraft, engines, propellers (if applicable) and appliances if the aircraft is to be maintained under the lessee's maintenance program;
- Procedures for the use of the maintenance reliability program, if applicable, if the aircraft is to be maintained under the lessee's maintenance program;
- Fueling procedures for the aircraft.

4.3.5 Review the Aircraft Maintenance Records

The PMI must ensure that the party responsible to the aircraft's maintenance according to the lease\interchange agreement shall maintain the aircraft's maintenance record and ensure that the items required to be inspected, repaired, or overhauled are addressed in those records.

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4.3.6 **Perform an Aircraft Conformity Inspection**

4.3.6.1 For a dry lease agreement, an aircraft conformity inspection should be conducted according to CAAI Procedure No. 1.4.301 – Aircraft Importation, to ensure that the configuration of the aircraft meets the regulatory requirements of the intended operation and that differences between aircraft of the same model already in the lessee's fleet and the aircraft being leased are noted. These differences must be addressed with:

- a) Amendments to the lessee's Operations Specifications;
- b) Revisions to the lessee's manuals;

4.3.6.2 After performing the inspection, review the results to ensure that the differences are identified and addressed in the lessee's Operation Specifications and manuals.

4.3.7 **Analyze the Findings**

Evaluate all deficiencies to determine what corrections are required.

4.3.8 **Schedule a Meeting**

If deficiencies are discovered during the evaluation, advise the air operator\applicant. If necessary, schedule a meeting with the air operator\applicant to discuss the problems.

5. **Task Outcomes**

5.1 **Complete the WTS Record.**

5.2 **Complete the Task.**

Completion of this task will result in one of the following:

5.2.1 Reviewing the agreement by accomplishing the following:

- Sending a letter to the lessee indicating if he is / isn't the operator of the aircraft;
- If required, issue new Operations Specifications.
- If required, approve the lessee's Operations Manual and Maintenance Control Manual.

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5.2.2 Inability to determine the responsibility to the operation of the aircraft; Send a letter to the air operator\applicant listing the reasons for the finding.

5.3 Document the Task.

File all supporting paperwork in the air operator\applicant's file.