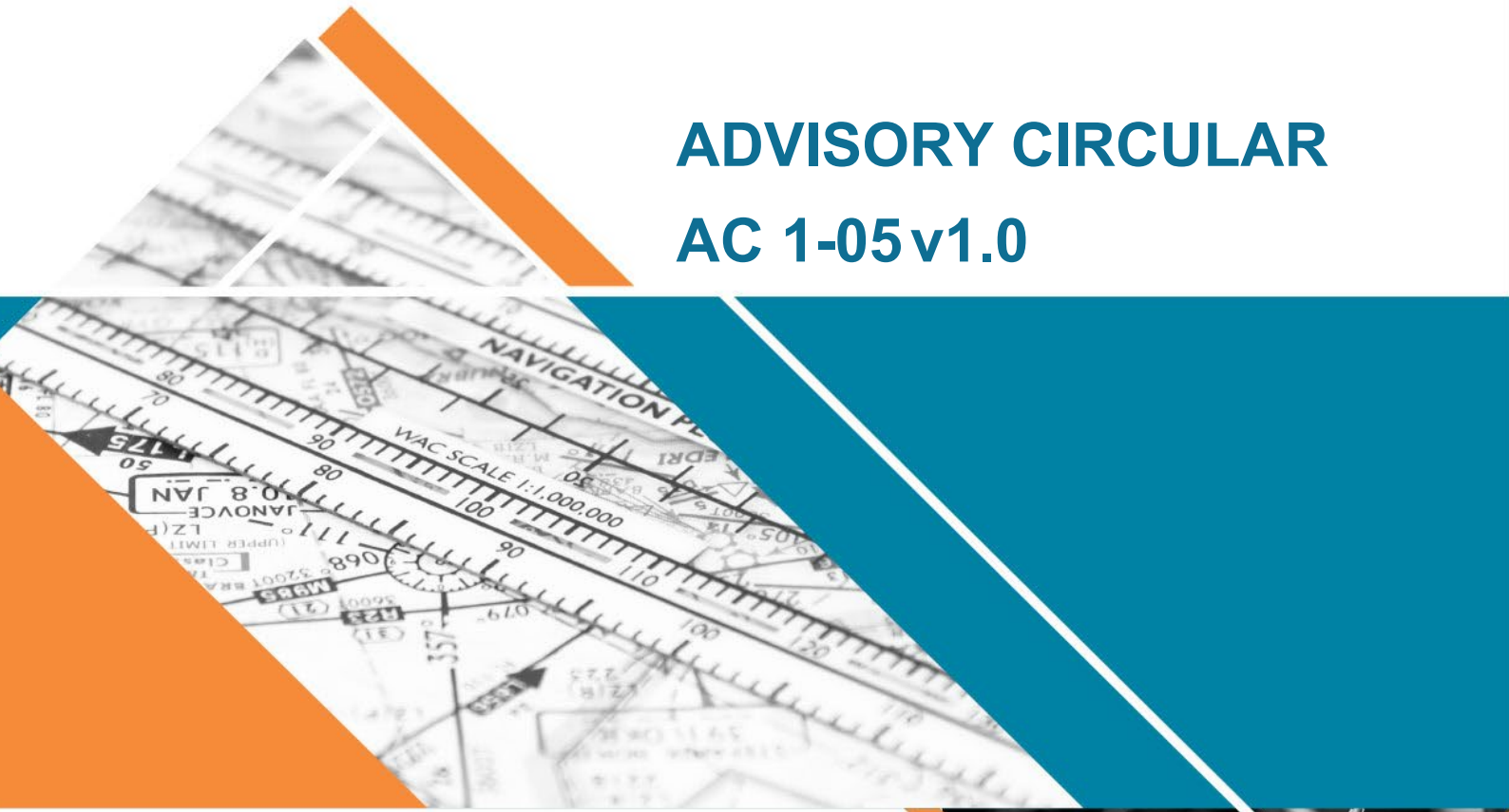




# ADVISORY CIRCULAR

## AC 1-05 v1.0



# Aircraft leasing



**Date** January 2024  
**File ref** D23/101273

Advisory circulars are intended to provide advice and guidance to illustrate a means, but not necessarily the only means, of complying with the Regulations, or to explain certain regulatory requirements by providing informative, interpretative and explanatory material.

**Advisory circulars should always be read in conjunction with the relevant regulations.**

## Audience

This advisory circular (AC) applies to:

- aircraft owners
- Australian air transport operators and aerial work operators leasing aircraft (whether Australian or foreign registered)
- foreign air transport and aerial work operators leasing foreign registered aircraft to Australian operators.

## Purpose

This AC provides advice and guidance to aircraft owners and operators when leasing aircraft. Information is provided on the types of aircraft lease, aircraft operating authorisations available and Australian requirements for air transport and aerial work operations utilising leased aircraft in Australia.

## For further information

For further information, contact CASA's Operations Standards Branch (telephone 131 757).

## Status

This version of the AC is approved by the Branch Manager, Flight Standards.

Version	Date	Details
v1.0	January 2024	Initial AC.

Unless specified otherwise, all subregulations, regulations, Divisions, Subparts and Parts referenced in this AC are references to the *Civil Aviation Safety Regulations 1998 (CASR)*.

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# 1 Reference material

## 1.1 Acronyms

The acronyms and abbreviations used in this AC are listed in the table below.

Acronym	Description
AC	advisory circular
ACMI	aircraft, crew, maintenance, insurance
ANZA	Australia and New Zealand Aviation
AOC	Australian air operator certificate
APMA	Australian parts manufacturers approval
CAMO	continuing airworthiness management organisation
CAR	<i>Civil Aviation Regulations 1988</i>
CASA	Civil Aviation Safety Authority
CASR	<i>Civil Aviation Safety Regulations 1998</i>
COA	certificate of airworthiness
EASA	European Aviation Safety Authority
EDTO	extended diversion time operations
EGT	engine gas turbine
FAA	Federal Aviation Authority
FAOC	foreign air operator certificate
HF/NTS	human factors/non-technical skills
HOTC	head of training and checking
MCM	maintenance control manual
MEL	minimum equipment list
NAA	national aviation authority
NZ	New Zealand
NZCAA	The Civil Aviation Authority of New Zealand
OEM	original equipment manufacturer
PMA	parts manufacturers approval
PSEA	piston single engine endorsement
RNPAR	required navigation performance authorisation required
RVSM	reduced vertical separation minimum
SOM	sample operations manual
SMS	safety management system

## 1.2 Definitions

Terms that have specific meaning within this AC are defined in the table below. Where definitions from the civil aviation legislation have been reproduced for ease of reference, these are identified by 'grey shading'. Should there be a discrepancy between a definition given in this AC and the civil aviation legislation, the definition in the legislation prevails.

Term	Definition
ACMI lease	aircraft, crew, maintenance and insurance, included in the lease arrangement.
aerial work operation	<p>an aerial work operation is defined in regulation 138.010 as one or more of the following:</p> <ol style="list-style-type: none"> <li>a. an external load operation;</li> <li>b. a dispensing operation;</li> <li>c. a task specialist operation;</li> <li>d. an operation of a kind prescribed by the Part 138 Manual of Standards.</li> </ol>
aircraft owner	<p>The person:</p> <ol style="list-style-type: none"> <li>a. whose name is entered in the Australian or foreign civil aircraft register as that of the aircraft's owner or;</li> <li>b. the person nominated by the aircraft owners to be the representative of the aircraft owners.</li> </ol>
air transport operation	<ol style="list-style-type: none"> <li>1. An air transport operation is a passenger transport operation, a cargo transport operation or a medical transport operation, that: <ol style="list-style-type: none"> <li>a. is conducted for hire or reward</li> <li>or</li> <li>b. is prescribed by an instrument issued under regulation 201.025.</li> </ol> </li> <li>2. Despite subclause (1), an air transport operation does not include an aerial work operation or a balloon transport operation.</li> </ol>
Article 83 bis agreement	an agreement between two Contracting States whereby the oversight responsibilities of one Contracting State are transferred by arrangement to the other Contracting State in order to maintain effective airworthiness and operational control of an aircraft registered in the first Contracting State, but operating within the jurisdiction of the second Contracting State.
Australian air transport operation	<p>Australian air transport operation is defined in regulation 119.010.</p> <p>The following is a summary of that definition as relevant to this AC:</p> <ul style="list-style-type: none"> <li>• an Australian operator utilising an Australian or foreign registered aircraft to carry passengers or goods for hire or reward</li> <li>• a foreign operator utilising a foreign registered aircraft conducting flights wholly within Australia and not part of a flight into or out of Australia.</li> </ul>
Australian operator	an operator whose principal place of business, or whose place of permanent residence, is in Australian territory.
cross hire	short term lease of an aircraft where the registered operator remains as the lessor.
damp lease	wet lease with partial crew – often without cabin crew.

Term	Definition
dry lease	the aircraft is leased without crew, maintenance, and insurance.
foreign operator	an operator that is not an Australian operator.
foreign aircraft	has the same meaning as foreign registered aircraft.  <p>Note: The term 'foreign registered aircraft' is defined in the Civil Aviation Act 1988 as an aircraft registered in a foreign country, or an aircraft registered under a joint registration plan or an international registration plan. The terms 'joint registration plan' and 'international registration plan' are also defined in the Act.</p>
head lease	referred to in a sublease agreement; the lease agreement between the aircraft owner and lessee.
lease (aircraft)	a contractual arrangement whereby a person gains access and control of an aircraft or components of an aircraft without transfer of the ownership.
lessor	a person with ownership or title to an aircraft that is making it available to lease.  <p>in a sublease arrangement this is the head lease lessee.</p>
lessee	an organisation or person to whom an aircraft is leased.
medical transport operation	see clause 70 of Part 2 of the CASR Dictionary.
non-scheduled air transport operation	an air transport operation that is not: <ul style="list-style-type: none"> <li>• a scheduled air transport operation or</li> <li>• a medical transport operation.</li> </ul> <p>Note: A non-scheduled air transport operation includes an operation for the carriage, in accordance with fixed schedules to and from fixed terminals, of passengers or cargo, or passengers and cargo, in circumstances in which the accommodation in the aircraft is not available for use by persons generally.</p>
operational control	control 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.
operational safety-critical personnel	for an Australian air transport operator or an aerial work operator means personnel carrying out, or responsible for, safety-related tasks, including: <ol style="list-style-type: none"> <li>1. personnel carrying out roles that have direct contact with the physical operation of aeroplanes or rotorcraft used in the operator's Australian air transport operations or aerial work operations; and</li> <li>2. personnel carrying out roles that have operational contact with personnel who operate aeroplanes or rotorcraft used in those operations; and</li> <li>3. personnel described as operational safety critical personnel in the operator's exposition or operations manual;</li> <li>4. but does not include personnel who are employed or engaged by the operator (whether by contract or other arrangement) and are engaged in:</li> <li>5. the provision of continuing airworthiness management services for aeroplanes or rotorcraft used in the operator's Australian air transport operations or aerial work operations; or</li> </ol>

Term	Definition
	6. carrying out maintenance on an aeroplane, rotorcraft, or aeronautical product on behalf of an approved maintenance organisation.
operator	<p>of an aircraft, means:</p> <ol style="list-style-type: none"> <li>a. if the operation of the aircraft is authorised by an AOC, a Part 141 certificate or an aerial work certificate—the holder of the AOC or certificate; or</li> <li>b. otherwise—the person, organisation or enterprise engaged in aircraft operations involving the aircraft.</li> </ol>
registered operator	<p>of an aircraft, has the meaning given by regulation 47.100 of CASR.</p> <p><b>Note:</b></p> <ol style="list-style-type: none"> <li>1. This definition relies on the further definition of registration holder, which is limited to aircraft on the Australian civil register. In relation to foreign registered aircraft, the relevant law of the foreign country of registration would need to be reviewed to determine an equivalent or similar term.</li> <li>2. Most often, the registered operator is either the registration holder or a person nominated by the registration holder.</li> </ol>
registration holder of an aircraft	<p>the person whose name is entered in the Australian or foreign civil aircraft register as that of the aircraft's owner.</p> <p><b>Note:</b> Under the Australian legislation, the term <i>registration holder</i> is defined in the CASR Dictionary.</p>
scheduled air transport operation	<p>means an air transport operation, other than a medical transport operation, that is conducted:</p> <ul style="list-style-type: none"> <li>• in accordance with fixed schedules to and from fixed terminals over specific routes with or without intermediate stopping places between terminals and</li> <li>• in circumstances in which the accommodation in the aircraft is available for use by persons generally.</li> </ul>
State, of an operator	<p>the country in which the operator's principal place of business is located or, if the operator does not have a principal place of business, the country in which the operator's permanent residence is located</p>
sublease	<p>a contractual arrangement whereby a third party gains access and control of an aircraft or components of an aircraft from a person who holds the lease on the aircraft.</p>
wet lease	<p>same as an ACMI Lease.</p>

## 1.3 References

### Legislation

Legislation is available on the Federal Register of Legislation website <https://www.legislation.gov.au/>

Document	Title
Civil Aviation Act 1988 - subdivision B	Application for AOC
Civil Aviation Act 1988 - subdivision C	Operation of a foreign registered aircraft without AOC
Civil Aviation Act 1988 - subdivision D	Issue of AOC's
Part 119 of CASR	Australian air transport operators
Part 138 of CASR	Aerial work operations
Part 141 of CASR	Recreational, private and commercial pilot flight training, other than certain integrated training courses
Part 142 of CASR	Integrated and multi-crew pilot flight training, contracted training and contracted checking
Section 7AB of CASA EX82/21	Certain air transport operations — “cross-hiring” exemption

### International Civil Aviation Organization documents

International Civil Aviation Organization (ICAO) documents are available for purchase from <http://store1.icao.int/>

Many ICAO documents are also available for reading, but not purchase or downloading, from the ICAO eLibrary (<https://elibrary.icao.int/home>).

Document	Title
Article 83 <i>bis</i>	Guidance material and best practices for aircraft leasing
Doc 9642	International leasing arrangements

### Advisory material

CASA's advisory materials are available at <https://www.casa.gov.au/publications-and-resources/guidance-materials>

Document	Title
AC 1-01	Understanding the legislative framework
AC 1-02	Guide to the preparation of expositions and operations manuals
AC 1-04	Registered operator responsibilities for continuing airworthiness
AC 11-04	Approvals under CASR Parts 91,103,119,121,129,131,132,133, 135,138 and 149 (including MOS)
AC 20-02	Recognised countries and international agreements
AC 21-02	Standard certificates of airworthiness



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<b>Document</b>	<b>Title</b>
AC 119-01	Safety management systems for air transport operators
Multi-Part AC 119-11 and AC 138-02	Training and checking systems
Multi-Part AC 119-07 and AC 138-03	Management of change for aviation organisations
Part 119 AMC/GM	Australian air transport operators-certification and management - acceptable means of compliance and guidance material
Part 138 AMC/GM	Aerial work operations - acceptable means of compliance and guidance material

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## 2 Introduction

### 2.1 Overview

Many air operators, instead of owning the aircraft they operate, lease aircraft for a variety of business reasons.

*Leasing* means transferring the rights of ownership of an aircraft from the owner to another entity. However, the title of the aircraft remains with the owner – known as the **lessor**. The entity to which the aircraft is transferred to is known as the **lessee**.

Numerous leasing options exist for operators relating to the type of lease and what is leased. These range from the supply of an airframe only, to the provision of an aircraft fully crewed, fuelled, maintained, and insured. Some operators have separate lease agreements for the airframe, engines, and other components which may be with different owners.

Aircraft lease agreements are often complex and the responsibilities and reporting requirements between the agreements can vary considerably. Variations often also occur between agreements associated with similar aircraft and agreements between the same owner and operator. Which specific persons in an ownership and leasing arrangement chain are assigned specific responsibilities can have safety implications; especially when aircraft remain registered in a country other than Australia but are operated in Australia by an Australian operator.

The information in this AC is provided to assist aircraft owners and operators that are leasing aircraft to ensure that the safety and regulatory responsibilities are accurately defined and delegated.

The information in this AC is general advice only as it is not possible to cover every circumstance, or unique terms used in lease agreements or in documentation provided by other national aviation authorities (NAA). Aircraft owners and operators are advised to obtain independent legal advice in the jurisdiction of the agreement (i.e., the relevant country) if there are any areas within an agreement or supporting documentation that is unclear or confusing.

The information provided in this AC does not apply to:

- foreign air transport aircraft operated in accordance with Part 129 of CASR
- aircraft registered in New Zealand and operated under a New Zealand AOC with ANZA privileges.

## 3 Why lease an aircraft?

### 3.1 Leasing aircraft

Aircraft operators often lease aircraft to:

- reduce capital outlay compared to purchasing
- evaluate new routes
- comply with new contract obligations
- diversify the type of operation
- manage peak season demand
- conduct seasonal operations (some examples being firefighting, scenic flights, heli-skiing) whilst efficiently using aircraft all year round across the opposite seasons in the southern and northern hemispheres
- replace aircraft on long term maintenance
- replace new aircraft delayed in delivery.

## 4 Lease agreements

Lease agreements are often drafted by the lessor's legal team and usually have legal jurisdiction in the State of the lessor's head office or the State of the aircraft registration.

A typical lease agreement outlines aircraft owner and operator specific responsibilities and reporting requirements.

Operators should ensure these responsibilities are clear and not open to interpretation to minimise challenges with obtaining CASA approval of a significant change (if one is required) or minimising the likelihood of follow-up queries from CASA if the use of a lease is notified as a non-significant change.

Operators are reminded that these agreements are commercial documents and are not regulatory documents. Instructions and requirements included in lease agreements cannot override regulatory requirements and responsibilities.

### 4.1 Dry lease

The term *dry lease* means the lease of an aircraft frame and engines from a **lessor**, this arrangement is normally in place for more than 12 months and the **lessee** would register the aircraft in Australia, be the registered operator and, if operating the type, integrate the aircraft into existing operations and continuing airworthiness systems. If it is a new type for the registered operator, they would follow the AOC amendment process.

A dry lease can be one of two types:

- Operating lease:
  - The aircraft is usually leased for a period of more than 1 year. The **lessee** pays a fixed monthly rental rate to the **lessor** and hourly charge for major maintenance provisions.
- Financial lease/lease purchase:
  - The **lessee** usually pays a down payment to the **lessor** followed by fixed monthly rates to the **lessor**. In this case the **lessee** will become the owner of the aircraft – the asset – at the end of the lease period.

A typical dry lease agreement would contain information regarding:

- aircraft type and configuration
- deposit and/or bond
- term(s) of lease
- monthly lease cost
- tax and duties
- continuing airworthiness
- provisions for heavy maintenance reserves
- reporting of flight time and component hours
- minimum insurance requirements
- delivery date
- aircraft pre delivery inspection
- provision of an export certificate of airworthiness

- return from lease provisions.

**Note:** The above list is an example only. The content of lease agreements and terminology vary considerably.

## 4.2 Wet lease (ACMI)

A wet lease is an arrangement where the **lessor** provides the aircraft inclusive of sufficient crews to operate the schedule of the **lessee**, including maintenance and insurance, this agreement is called Aircraft, Maintenance, Crew, Insurance (ACMI). Depending on the agreement, the **lessor** will charge a monthly charge plus an additional amount for each hour in operation and may specify a minimum number of hours the aircraft must operate. If the aircraft operates or not, the **lessee** will normally be responsible for the monthly charge and cost of the minimum number of hours.

If not included in the monthly charge, the **lessee** would be responsible for the cost of fuel, hotel accommodation, crew ground transport, catering, airways/landing/parking/storage fees, local taxes and import costs.

This arrangement is normally short term and if the **lessor** is a foreign entity operating foreign aircraft, the aircraft would remain registered in the lessor's State.

ACMI lease agreements are normally a short-term solution where the registered operator is less likely to change and the lessor is more likely to be responsible for operational control, maintenance control and day to day operations. These agreements can be complex, and it is essential that the responsibilities are clearly understood and documented between the lessee and lessor.

A typical ACMI lease agreement would contain information regarding:

- aircraft type and configuration
- deposit and /or bond
- commencement date
- term(s) of lease
- monthly lease cost
- hourly rate
- reporting of flight time
- additional insurance requirements
- responsibilities for operational control
- responsibilities for continuing airworthiness
- control of weight and balance
- provisioning of spares
- regulatory compliance
- training
- maintenance equipment and hanger
- aircraft parking costs
- airport and air services fees.

**Note:** The above list is an example only. The content of lease agreements and terminology vary considerably.

### 4.3 Damp lease

A damp lease is similar to an ACMI lease; however, the **lessor** provides the aircraft to the **lessee** with flight crew only. If cabin crew are required these would be provided by the **lessee**.

### 4.4 Sublease

A **lessee** of an aircraft may agree to further lease the aircraft to another operator. The arrangement is called a sublease which may be an ACMI or dry lease.

Sublease agreements would contain information on the head lessor, a copy of the head lease, specific requirements of the lessor, and depending on the type of sublease (dry / ACMI), the information outlined in the previous chapters.

Sublease arrangements must have the approval of the head lease lessor as without this the primary lease and insurance cover may be invalidated. Additionally, depending on the responsibilities of the head lease lessor, such arrangements could have safety implications if a sublease voids a head lease.

### 4.5 Cross-hiring

Cross-hiring is a colloquial term to describe some common circumstances where an operator has a short-term lease for an aircraft and therefore is not the registered operator. See section 5.2 of this AC for some important regulatory requirements relating to Australian air transport operators that elect to cross-hire an Australian registered aircraft.

Under a cross-hiring arrangement, the gaining operator is not responsible for continuing airworthiness. The continuing airworthiness responsibilities of the registered operator do not change even if some or all of the tasks are contracted out.

A typical cross hire agreement would contain information regarding;

- the name and address of the registered operator
- aircraft type and configuration
- deposit and /or bond
- commencement date
- term(s) of hire
- hourly rate
- reporting of flight time
- additional insurance requirements
- responsibilities for operational control
- responsibilities for continuing airworthiness
- regulatory compliance
- aircraft parking costs
- airport and air services fees
- control of weight and balance
- provisioning of spares
- training

**Note:** The above list is an example only. The content of lease agreements and terminology vary considerably.

## 5 Important regulatory requirements for operators

### 5.1 Content disclaimer and operator obligation

This section is not a complete description of the regulatory requirements applicable to the use of aircraft by operators under an Australian air transport AOC, an aerial work certificate, a Part 141 certificate or an AOC authorising Part 142 activities.

Operators are responsible for ensuring they are thoroughly familiar with their regulatory obligations.

### 5.2 For Part 119 operators (Australian air transport operators)

It is a condition on an Australian air transport AOC, specified in Part 119 of CASR, that an Australian air transport operator must:

- be the registered operator of an Australian registered aeroplane or rotorcraft used in an Australian air transport operation
- or
- hold an approval under regulation 119.025 of CASR to not be the registered operator for a specific aeroplane or rotorcraft.

An exemption applies to these requirements which can be found in [CASA EX82/21 section 7AB](#). The exemption allows operators described in the exemption, subject to certain requirements, to cross hire an aircraft (see section 4.5 of this AC for a description of cross hiring). The exemption applies to:

- a medical transport operation
- or
- a non-scheduled air transport operation.

### 5.3 For Part 119 and 138 operators

Under the significant change rules of Parts 119 and 138 of CASR, it is an operator responsibility to assess whether a change in relation to any of the following does not maintain or improve, or is not likely to maintain or improve, aviation safety:

- any change to the registration of an aeroplane or rotorcraft used in the operator's operations (Part 119 only)
- any leasing or other arrangements for the supply of an aeroplane or rotorcraft used in the operator's operations (Parts 119 and 138).

If the change does not maintain or improve, or is not likely to maintain or improve, aviation safety, then the change would become a significant change for which an approval must be sought from CASA.

## 5.4 For Part 141 and 142 operators

It is defined significant change if the operator makes a change in relation to a foreign registered aircraft used in the training, including a change to its nationality or registration mark. Significant changes must receive an approval from CASA.

## 5.5 For Part 142 operators

Under the significant change rules of Part 142 of CASR, it is an operator responsibility, if the operator conducts the activities in aircraft, to assess whether a change in relation to any of the following does not maintain or improve, or is not likely to maintain or improve, aviation safety:

- the way the aircraft are managed or maintained
- the way the continuing airworthiness of the aircraft is assured.

If the change does not maintain or improve, or is not likely to maintain or improve, aviation safety, then the change would become a significant change for which an approval must be sought from CASA.

## 5.6 For all operators

It is recommended to consider the matters listed in the following sections (5.6.1 through 5.6.7 inclusive) during the change management process for when leasing aircraft:

### 5.6.1 Safety management system

A safety management system (SMS) must include a statement of the operator's safety policy and objectives including documented details of relevant third-party relationships and interactions. Therefore, operators are required within their SMS to describe the management of aircraft leases and the relationship with, and the responsibilities of, the lessee (the operator) and the owner (the supplier of an aircraft). This information should be documented within the operator's SMS Management Manual. Further guidance is available in [AC 119-01 - Safety management systems for air transport operators](#).

### 5.6.2 Ground personnel training

The operator may need to provide additional procedures and training to ground personnel to cover any differences in the leased aircraft compared to the existing fleet.

### 5.6.3 Operational approvals

Operators may have various aircraft specific operational approvals such as reduced vertical separation minimum (RVSM), required navigation performance authorisation required (RNP AR) or extended diversion time operations (EDTO). The leased aircraft may require approval and require modification or additional equipment fitted to comply with the requirements of these approvals.



#### 5.6.4 Reference library

The requirement for operators to maintain an up-to-date reference library applies to a leased aircraft. The lessor should have a documented procedure to ensure leased aircraft carry the required documentation to support flight activities.

#### 5.6.5 Maintenance requirements on aircraft where Part 42 of CASR applies

Operators may be required to be approved as a CAMO for the leased aircraft. The management of the continuing airworthiness requirements may be contracted to a suitable organisation however, the responsibility of ensuring continuing airworthiness of the aircraft remains with the operator.

#### 5.6.6 Maintenance requirements on aircraft where Part 42 of CASR does not apply

The operator of a Class A aircraft (to which Part 42 of CASR does not apply) must appoint a Maintenance Controller and provide a maintenance control manual (MCM). The operator is responsible for all aircraft maintenance including aircraft components. If the operator intends to use the lessor's MCM, system of maintenance (SOM), minimum equipment list (MEL), and/or maintenance release (MR), they must be approved by CASA and included as part of the operator's exposition or manual suite.

#### 5.6.7 Maintenance responsibility

Operators should be aware that if in accordance with the lease terms, maintenance of the aircraft is the lessor's responsibility. If the operations are conducted under the lessee's AOC then the lessee still retains the regulatory obligations for the continuing airworthiness of the aircraft.

### 5.7 Leasing foreign registered aircraft

All foreign aircraft and operators conducting operations in Australia and associated operational safety-critical personnel must comply with Australian legislation.

CASA has issued a direction requiring an Australian air transport operator to have a specific CASA approval prior to operating a foreign-registered aircraft on an Australian air transport operation. It is recommended that operators considering leasing foreign aircraft review the direction which can be found in [CASA EX82/21 section 6](#).

When CASA receives a request from an operator to operate a foreign registered aircraft, CASA enters into an Article 83 bis agreement with the NAA where the aircraft is registered and is currently operating. This agreement sets out the areas of responsibility in relation to the supervision of flight operations, the maintenance, and the airworthiness of the aircraft.

CASA requires specific information from the operator for this agreement to be drafted with the foreign NAA. This information is outlined in section 28A of the Civil Aviation Act 1988 (the Act) and must be provided with the operator's application to operate the foreign aircraft.

An aircraft can only be operated under one state of aircraft registry, one AOC and by one operator.

Foreign aircraft operating in Australia are normally required to be operated by pilots and maintained by engineers holding a licence or a certificate of validation/approval issued in the state of the aircraft registration. A current medical certificate issued in the state of registration may also be required for a pilot licence to be valid. These requirements are regulated by the foreign NAA.

### 5.7.1 Training and checking

An Australian operator (lessee) is responsible for the training and checking of both flight and cabin crew irrespective of whether the aircraft is leased or owned by the operator.

If an Australian operator (lessee) is entering an ACMI lease arrangement with another Australian operator (lessor) the lessor should provide flight and cabin crew who are current and qualified to operate the leased aircraft.

Where the ACMI lease involves the use of foreign flight and cabin crew the lessee will need to ensure that the training and checking system employed by the foreign operator meets the intent of the Australian regulations. If the Australian operator (lessee) proposes to accept the foreign operators (lessor) training and checking system as meeting the Australian regulations the lease arrangements will need to include how the training and checking will be conducted.

If an Australian Part 121 operator (lessee) intends to accept the training and checking system provided by a foreign operator (lessor) that does not meet the prescriptive Australian legislative requirements contained in Subparts 121.N or 121.P of CASR and Chapters 12 and 13 of the Part 121 MOS, the operator must apply for approval of this alternative training and checking system under the approval powers mentioned in one or both of the following legislative provisions:

- section 12 of CASA EX83/21 (for flight crew members)
- subregulation 121.640(4) of CASR (for cabin crew members).

In the case of a damp lease where crew members from the lessor are assigned duties with crew members from the lessee the training and checking system must ensure that the crew members have been trained and checked to comply with the same operational procedures.

If the lessee intends to accept training and checking provided by the lessor, then the lease arrangements must include a provision to ensure the HOTC of the lessee has evidence that the lessors flight crew and cabin crew have completed the required training and checking. Further guidance is available in [Multi Part AC 119-11 and AC 138-02 Training and checking systems](#).

### 5.7.2 Human Factors/Non-Technical Skills training

Where an Australian operator (lessee) is entering into an ACMI lease with a foreign operator (lessor) the foreign operator crew members must complete the lessee's human factors/non-technical skills training (HF/NTS) or confirm that the lessors HF/NTS training is equivalent to the lessees. Further guidance is available in [AC 119-12 - Human factors principles and non-technical skills training and assessment for air transport operations](#).

## 6 CASA Approvals

### 6.1 Requirements for the CASA approval process

Operators requiring approvals in relation to leased aircraft should ensure that the requests are submitted to CASA Regulatory Services ([regservices@casa.gov.au](mailto:regservices@casa.gov.au)) at least 3 months prior to the anticipated commencement of the aircraft lease. In relation to the lease and operating the leased aircraft, CASA would require a copy of the following documents:

- operator's change management plan
- certificate/s of registration
- certificate/s of airworthiness
- lease agreement between foreign-registered operator and local AOC holder (if applicable)
- ICAO Annex 8 letter from foreign operator – continuing airworthiness responsibility (if applicable)
- Article 83 bis information for foreign NAA/CASA agreement (if applicable)
- proposed exposition/operations manual amendments, lessors AOC, and supporting information for the approval.

**Note:** This is not guaranteed to be a complete list as requirements vary considerably depending on the type of lease and operator requirements.

### 6.2 Assessment

CASA may need to verify any special airworthiness matters that are applicable to the leased aircraft, irrespective of whether these matters are referred to in the lease agreement.

For example:

- Deviations from the manufacturer Maintenance Review Board (MRB) maintenance requirements permitted as a result of a reliability program determination or operational requirements, these require CASA approval under the AOC holders SOM.
- The use of parts which have a Parts Manufacturers Approval (PMA), foreign NAA approved, or an Australian Parts Manufacturers Approval (APMA) require CASA approval under the AOC holders SOM.
- The use of FITCOM (fabrication in the course of maintenance) or MITCOM (manufacture in the course of maintenance) parts.
- Aircraft maintenance carried out by overseas maintenance organisations.
- The handling of aircraft continuing airworthiness in respect of the termination of the lease agreement.

## 7 Lessee's obligations at end-of-lease

Operators should be aware of the airworthiness obligations of the lease agreement for returning the aircraft. Some examples of end-of-lease terms and common issues are:

- Specified performance parameters, for example EGT margins for engines, which might drive an engine shop-visit before the aircraft is returned.
- Modifications or repairs which have been approved under Part 21 of CASR whereas the lease agreement stipulates that FAA or EASA approvals are required. In extreme cases, the operator may have to de-modify the aircraft or re-do certain repairs.
- Ambiguous end-of-lease conditions such as seats being subject to 'fair wear and tear'.

It is in the lessor's interest to ensure the lessee knows exactly what their end-of-lease responsibilities are as any delays could delay the aircraft for future operators.

It is recommended lessee's review and plan the end-of-lease maintenance cycle at lease negotiation.

## 8 Aircraft leasing and the virtual airline concept

### 8.1 AOC holders

The virtual airline concept is where the operations rely significantly on outsourcing. Operators delegate various operational aspects to different companies, rather than traditionally running everything in-house.

The reason for this concept is to reduce capital outlay, manage financial risk and liability. The entity holding the AOC would have service level agreements with the different companies to provide services equipment and/or employees.

Operators considering this type of structure should be aware of the requirements of the *Civil Aviation Act 1988* (the Act) which requires the key personnel to be employed directly by the entity holding the AOC. Subregulation 119.170(7) also requires the entity holding the AOC to directly employ check pilots for checking activities for certain aircraft (see subregulation 119.170(6) of CASR).

If leasing or subleasing aircraft for air transport operations the AOC holder must be the registered operator of the aircraft (unless approved by CASA - refer section 5.2). The registered operator must be approved as a continuing airworthiness management organisation.

Flight and cabin crew may be employed by separate entities. The employing entities would have an agreement with the AOC holder for the supply of the crew.

Aircraft maintenance may be contracted to a company with the required Part 145 of CASR authorisations.

Passenger management, baggage handling, cargo handling and ground support equipment could be provided by separate entities.

The AOC application requirements for these operators are no different to more traditionally structured operators. Operators should ensure the service level agreements and communication protocols are effective and complied with.

If an aircraft is leased or sub-leased under this concept, any SOM or maintenance specific approvals must be held by the AOC holder and the lease or sublease must be approved by the aircraft owner.

The inner circle in Figure 1 below provides the requirements to be held by the entity that holds the AOC, these may not be outsourced. The requirements outside of the circle may be provided by separate entities in accordance with a service level agreement or contract.



Figure 1: AOC holder mandatory key persons, functions and outsourcing options

## 8.2 Agents or entities without an AOC

Agents or entities that do not hold an AOC must not wet lease or charter an aircraft to provide an Australian air transport operation. Subsection 27(9) of the Act requires an AOC for prescribed operations, in accordance with regulation 119.030 of CASR, the flying or operation of an aeroplane or rotorcraft for an Australian air transport operation is a prescribed operation.

An agent or entity may sell tickets on behalf of an operator for an Australian air transport operation however, it must be clear to the passenger and or cargo consigner at the point of sale, and during carriage who the operator is.