

Subject Description Form

Subject Code	AAE4008
Subject Title	Aviation Finance, Taxation and Insurance
Credit Value	3
Level	4
Pre-requisite/ Co-requisite/ Exclusion	Nil
Objectives	To provide students with an advanced knowledge of aviation finance, taxation and insurance.
Intended Learning Outcomes	<p>Upon completion of the subject, students will be able to:</p> <ol style="list-style-type: none"> a. Identify the fundamental features of the aircraft asset classes; and b. Appreciate the aircraft trading models and aircraft leasing approaches; and c. Recognise the fundamental features of aviation taxation, legal and insurance considerations; and d. Understand risk management in aviation industry.
Subject Synopsis/ Indicative Syllabus	<p>Aviation asset class and selection criteria -</p> <ul style="list-style-type: none"> • Aircraft asset <ul style="list-style-type: none"> ▪ Airlines: widebody and narrowbody aircraft ▪ Chartering services: corporate jets and narrowbody aircraft ▪ General aviation: turboprop aircraft and helicopter • Other investment opportunities <ul style="list-style-type: none"> ▪ Airlines ▪ Airport strategic development ▪ Airport and aircraft equipment <p>Aircraft trading -</p> <ul style="list-style-type: none"> • Aircraft demand • Fleet development (Global and Regional) • Aircraft asset valuation • Market insights <p>Aircraft leasing -</p> <ul style="list-style-type: none"> • Aircraft asset portfolio management • Channel to acquire aircraft assets by aircraft leasing companies <ul style="list-style-type: none"> ▪ Orderbook ▪ Sale and Leaseback agreement with airlines

- Portfolio purchase

- Hedging on foreign exchange, interest rate and fuel (airlines)

Secondary market of an aircraft -

- Aircraft asset residual risk management
- Demand on aircraft remarketing, modification, dismantling and recycling
- Market insights
- Preliminary understanding on technical evaluation of aircraft assets, i.e. aircraft portfolio with operating lease

Aircraft financing mechanism -

- Aircraft financing in China (Free Trade Zones) versus overseas (Cayman and Ireland)
- Statistics on aircraft financing and capital market
- SPV financing
- Engine financing
- Capital structure of airlines and aircraft leasing companies

Aviation taxation basics and introduction to insurance requirements

-

- Taxation
 - Airline tax treatment
 - Aviation financiers taxation
 - Taxation for aircraft manufacturers and other ancillary industries
- Aircraft tax considerations on financing options
 - Purchase versus lease
 - Tax considerations for airlines on the use of loan financing
 - Finance lease versus operating lease
 - Japanese Operating Lease with Call Option financing (“JOLCO Financing”)
 - Other forms of aircraft finance

Financier Taxation -

- Aircraft operating lease focus
 - Structuring the deal
 - Transfer tax considerations
- Taxation considerations for other financing options
 - Finance lease considerations
 - Hire purchase considerations
 - Loan financing
- Engine / aircraft part specific consideration
- Capital market transactions

Aviation Law and Insurance -

	<ul style="list-style-type: none"> • Aviation Law <ul style="list-style-type: none"> ▪ Examine the legal regime governing carriage by air of passengers, baggage and cargo, and understand the major conventions, e.g. the Chicago Convention, the Rome Convention, the Warsaw Convention and the new Montreal Convention ▪ Analyse a factual scenario involving an aviation accident and state the legal liabilities involved ▪ Demonstrate an awareness of the impact of aviation law in the years following the terrorist attacks of September 11 ▪ Preliminary concepts of contracts in aircraft trading, leasing and financing transactions • Insurance <ul style="list-style-type: none"> ▪ Liability exposure ▪ Third party legal liability ▪ Insurance considerations for aviation financiers ▪ General principles in aviation insurance and common clauses ▪ Aviation war risk insurance ▪ Insurance considerations for financiers ▪ Regulatory requirements for insurance
--	--

Teaching/Learning Methodology	<ol style="list-style-type: none"> 1. The teaching and learning methods include lectures/tutorial sessions and assignments. 2. The continuous assessments are aimed at providing students with integrated knowledge of the course of study. 3. Technical/practical examples and problems are raised and discussed in class/tutorial sessions. 																													
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2" style="width: 50%;">Teaching/Learning Methodology</th> <th colspan="4" style="text-align: center;">Intended subject learning outcomes to be covered</th> </tr> <tr> <th style="width: 12.5%; text-align: center;">a</th> <th style="width: 12.5%; text-align: center;">b</th> <th style="width: 12.5%; text-align: center;">c</th> <th style="width: 12.5%; text-align: center;">d</th> </tr> </thead> <tbody> <tr> <td>1. Lecture</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>2. Tutorial</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>3. Assignments</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td></td> <td></td> </tr> <tr> <td>4. Written Exam</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> </tr> </tbody> </table>	Teaching/Learning Methodology	Intended subject learning outcomes to be covered				a	b	c	d	1. Lecture	✓	✓	✓	✓	2. Tutorial	✓	✓	✓	✓	3. Assignments	✓	✓			4. Written Exam	✓	✓	✓	✓
Teaching/Learning Methodology	Intended subject learning outcomes to be covered																													
	a	b	c	d																										
1. Lecture	✓	✓	✓	✓																										
2. Tutorial	✓	✓	✓	✓																										
3. Assignments	✓	✓																												
4. Written Exam	✓	✓	✓	✓																										

Assessment Methods in Alignment with Intended Learning Outcomes	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed			
			a	b	c	d
	1. Assignments	40%	✓	✓	✓	
	2. Written Exam	60%	✓	✓	✓	✓
	Total	100 %				
<p>Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:</p> <p>Overall Assessment:</p> <p>$0.4 \times \text{Continuous Assessment} + 0.6 \times \text{Written Exam}$</p> <p>The continuous assessment consists of two assignments. They are aimed at evaluating the progress of students study, assisting them in self-monitoring of fulfilling the respective subject learning outcomes, and enhancing the integration of the knowledge learnt. The written exam is used to assess the knowledge acquired by the students for understanding and analyzing the problems critically and independently; as well as to determine the degree of achieving the subject learning outcomes.</p>						
Student Study Effort Expected	Class contact:					
	▪ Lecture		26 Hrs.			
	▪ Tutorial		13 Hrs.			
	Other student study effort:					
	▪ Self-study		66 Hrs.			
	Total student study effort		105 Hrs.			
Reading List and References	<ol style="list-style-type: none"> Gillen, D., & Morrison, W. G. (2015). Aviation security: costing, pricing, finance and performance. <i>Journal of Air Transport Management</i>, 48, 1-12. Keaveny, C., & Murray, S. (2013). Aviation finance and leasing. <i>Offshore Investment</i>, 239, 12-14. Mann, E. D. (2009). Aviation finance: An overview. <i>Journal of Structured Finance</i>, 15(1), 109. Coulter, J. M., Redpath, I. J., & Vogel, T. J. (2018). Leasing Agreements in the Airline Industry: A Case Study Examining the Impact of Asu 2016-02. <i>Journal of Business and Educational Leadership</i>, 7(1), 114-123. Anyafu, A. (2018). Buy or Lease Decision in Fixed Assets Acquisition in the Nigerian Civil Aviation Industry. <i>Journal of Administration</i>, 1(1). Wensveen, J. (2018). <i>Air transportation: A management perspective</i>. Routledge. Vitaly S. Guzhva, Sunder Raghavan, Damon J. D'Agostino (2018). <i>Aircraft Leasing and Financing: Tools for Success in International Aircraft Acquisition and Management</i>. Elsevier Science. 					

	8. Donald H. Bunker. International Aircraft Financing (Volume 1 – General Principles and Volume 2 – Specific Documents).
--	--

December 2020