

ERA CHIEF FINANCIAL OFFICERS GROUP (CFOG) – REPORT FOR 2016

Objectives of the CFO Group

The CFO Group (CFOG) was formed in order to have a platform that promotes sharing best practice in the area of finance, costs and expenditure. The Group's focus is intended to support members in improving their efficiency, performance and financial management in specific areas through sharing best practice and communicating relevant information that can help drive meaningful 'bottom line' results for each participating member.

The Group adheres to all relevant competition laws and guidelines and acts in a transparent manner at all times. Revenue and pricing policies are therefore not discussed. The group's objectives are:

- To actively engage and share meaningful results and achievements from a financial perspective
- Become a recognised centre of excellence in sharing industry financial best practice
- Support driving costs down while consistently delivering operational excellence
- Devise, leverage and deliver cost reduction initiatives
- Communicate and share findings and achievements with all members
- Add value to ERA membership

The Group meets subject to specific proposals or initiatives and plans to have a maximum of two physical meetings a year. Attendance has varied and been specific to the agenda items discussed resulting in a high turnover of attendance.

Meetings and work of the group

For 2016 the intent has been to focus on specific projects in which interested members could participate. The projects planned were, chronologically, a SESAR Avionics Financing Stream, Group Insurance Buying Schemes for ERA Members, including a Captive Solution, Managed Jet Fuel Procurement Plans, and lastly Fleet Financing through the European Investment Bank.

The Directorate met with representatives from Helios, acting in a consultative capacity in various European Commission forums to discuss potential interest in an avionics equipage funding stream independent of CEF funding and specifically targeting regional operators. This initiative sounded encouraging however was effectively stopped by the SESAR Deployment Manager who saw it as risk to their own incentivization plans through the 2016 INEA Call for CEF funding. Despite the intervention of the SDM, the avionics equipage fund has been resurrected and a meeting with the European Investment Bank is to be held in late December to discuss further.

Feedback from several ERA member airlines in late 2015 demonstrated sufficient interest to convene a meeting on the morning of 26 January 2016 in London to discuss Collective Insurance Buying Schemes and explore the potential of an ERA Captive Purchasing Plan. Representatives from Marsh Aviation, and THB described collective plans to member airlines and Artex Solutions delivered a presentation describing the framework for a captive solution for ERA Members. During the afternoon session, members discussed the potential for each of the proposals and a way forward. Follow up meetings were held by teleconference and on 3 June the Directorate met Artex to further discuss a plan. Unfortunately, due to existing insurance contractual agreements, none of the member participants were able to commit to a proposal during 2016 however the group shall continue to work in the field of collective insurance with a view to securing benefits for members.



A meeting with CF Partners – Energy Risk Management at their London offices following the ERA Regional Airline Conference was held to explore potential for a Jet Fuel Procurement and price risk management product for ERA Members. CF Partners are refining a proposal that may be of interest to members and we hope to be able to present this at the next formal CFO Group meeting during 2017.

The real success story for the Group has been the announcement in October 2016 by the vice-President of the European Investment Bank that €1Billion of financing has been made available for regional airlines to enable co-financing towards the purchase of new airframes. This lucrative arrangement followed many months of lobbying by the Directorate and with the help of Members and, subject to satisfactorily meeting a selection of lending criteria, could provide very welcome funding to airlines seeking to replace older fleets and expand their fleets with new aircraft. The Group is working with the EIB with respect to fine detail although a lending framework exists and it is anticipated that a special CFO Group meeting will be held early in 2017 to reveal more to interested members.

The Group was delighted at the decision by Daniele Cereghetti of member Zimex Aviation to continue in the role of Chairman and also at the nomination of Angus von Schoenberg of Member The Sharper Wings in the role of Vice-Chairman near the end of 2016.

Deliverables of the CFO Group for 2016

- European Investment Bank convinced of need for financing for Regional Aircraft Investment.
- Meetings held to explore the introduction to the insurance market to consider 'captive' and 'group' opportunities for ERA
- Meeting held to discuss Fuel Procurement and Risk Management for Member Airlines.
- European Investment Bank agrees to financing stream of €1B in favour of regional airlines.
- Re-election of Group Chairman Daniele Cereghetti, Zimex Aviation.
- Election of Vice-Chair Angus von Schoenberg, The Sharper Wings.

