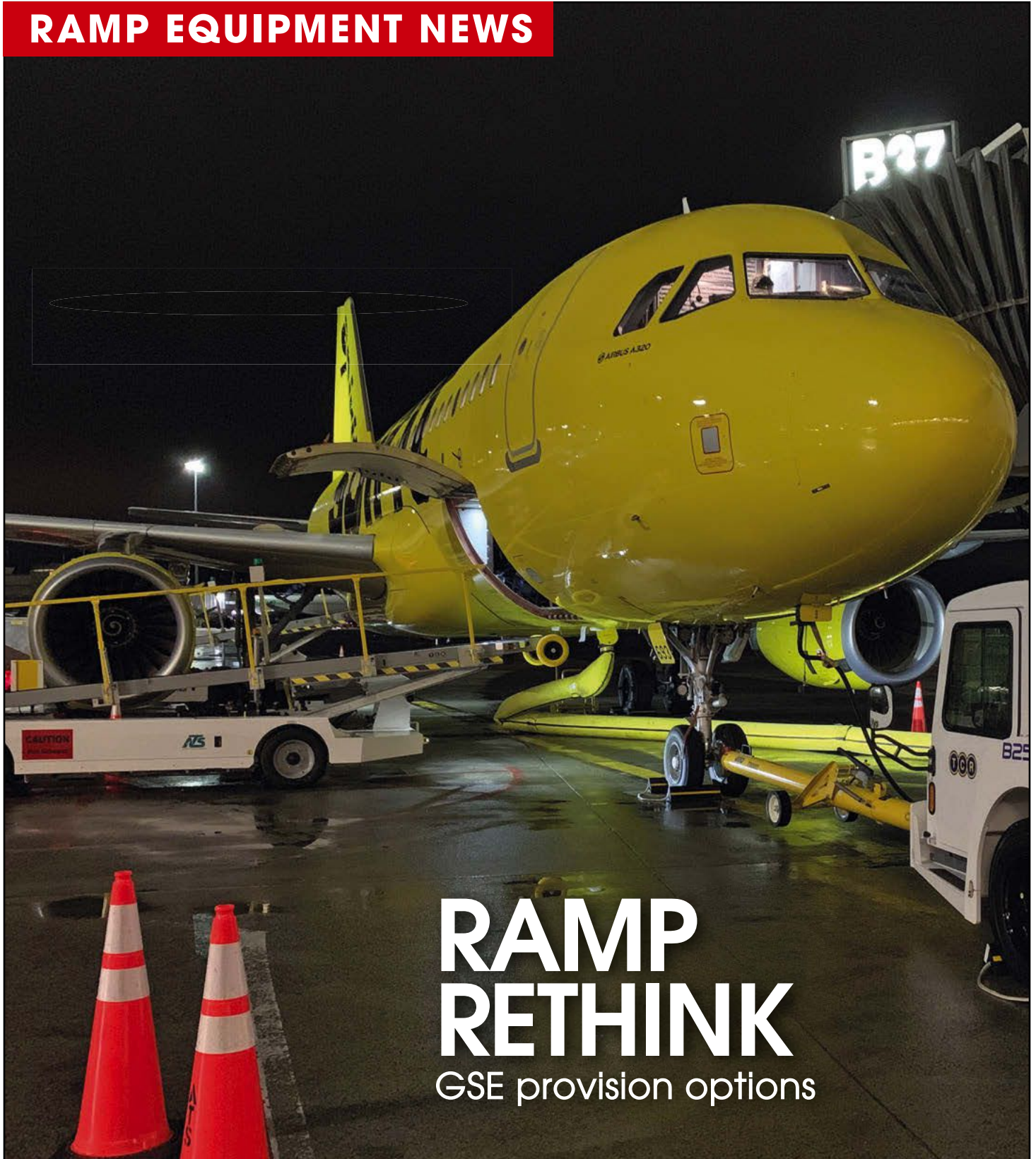


REN

COVERING THE
RAMP THROUGHOUT
THE AMERICAS

VOLUME 13 ISSUE 4
NOVEMBER - DECEMBER 2020
www.rampequipmentnews.com

RAMP EQUIPMENT NEWS



RAMP RETHINK

GSE provision options

PLUS IT IN ACTION • HANDLER AND GSE • STAFFING & COVID



LEASING **G** **S**ECURITY

This year will go down in history as the year of change, reckons the Editor.

It would not be an understatement to say that COVID-19's spread has re-written the rule books in virtually every walk of everyday life. This has been painfully evident insofar as the aviation industry is concerned: carriers have cut schedules, handlers have been laid off and the whole infrastructure has been slimmed down to more closely align with the diminished demand for flight.

Airports, airlines and ground agents have all suffered because of the pandemic but that said, there have been bright spots on the gloomy backdrop. One such has been the realisation by stakeholders within the US that perhaps, just perhaps, the traditional modus operandi where GSE was concerned was in need of an overhaul. As airlines have become much more cash conscious, so they have begun to examine more closely their operating model. Part of the carrier's operation, whether it be cargo or passenger, involves ground support equipment; and the time-honoured way of doing business, that of buying the equipment, has been seen by some players as due for an update.

Leasing in the US

If truth be told, leasing or renting GSE as a concept in the US does not have a long history. Today, only a relatively small number within the aviation sector make use of this facility. This is very much at odds with Europe or even Asia, when the arrangement is not only understood but also readily deployed. Belgium-based TCR, with its long background in the subject, tried to make inroads in the US some seven or eight years back, but achieved only minor success. Part of the reason for the company's failure to penetrate the market could be put down to the entrenched philosophy there: airlines and handlers were accustomed to owning their GSE, and saw little reason to change their operational policies. Moreover, where equipment leasing was practised, the US predilection for the finance lease held sway. With this type of lease, the equipment would habitually revert to the user at the expiry of the leasing period; in contrast, TCR's model, that of the operating lease, meant that the GSE was ultimately owned by the leasing company.

If the two models were at loggerheads, then clearly some sort of catalyst was required to ease the situation. That catalyst made its presence felt late last year, when it spread from a city in China...

The profitability factor

Jan De Leeuw, TCR's new Managing Director for the Americas, entirely agrees with this idea.

"COVID-19 has definitely been the catalyst," he says. "There has been more pressure on profitability amongst the airlines, and they have had to look at their operating model. COVID has obliged them to do this."

And so the pandemic has given companies pause for thought. If seven years back persuading stakeholders of the value of putting assets off their balance sheets was hard work, it's a little easier today. TCR's renewed efforts have been paying dividends: De Leeuw points out the success that the company has had at Boston and Detroit, for example, where both handlers and airlines have subscribed to the leasing concept. Add into the equation the pooling



operation at Los Angeles' International Terminal, and TCR can point to three different types of stakeholder: surely a sign of things to come?

"The first projects were only signed in the second half of 2019," he readily admits, "so the whole business is not yet a year old. COVID-19 put the brakes on developments at Los Angeles, so that's on ice at present. But we've signed up Air Canada as launch airline customer and amongst the handlers we are working with are WFS and ATS; there are many ongoing talks with other handlers and carriers. There has been a lot of demand in the last couple of months, so we've been busy."

Reinforcing the model

TCR's US operation, although under the aegis of De Leeuw, is aided by Joe Phelan, recently appointed to the board. With his extensive background in US aviation (Phelan has occupied senior positions within American Airlines, DHL and Swissport during his 40-year career), he is well placed to advise on the roll-out of the leasing model. A sound working structure has been built up and De Leeuw points to the company's Operations Director at Detroit as evidence of this: the postholder there has some 35 years' experience in the business.

For De Leeuw, though, the change of philosophy that he is witnessing on the part of some stakeholders is both timely and sensible.

"We've been successful in introducing our concept outside of Europe," he states. "We have taken it to the Middle East, New Zealand and Australia. The US is the next logical step to take.

"The US has traditionally been different, we all know that. Ownership has been much more of a focus there. With so many airlines buying GSE, the equipment has been a relatively minor detail on the balance sheet. But now we are seeing increasing incidences of outsourcing. Flexibility of operation is now much more important and since handling is not a carrier's core business, some are beginning to realise that this function is best taken over by other parties. Let's be

honest: airlines have had quite a number of good years in recent history. But that's all changed since COVID-19. Today, capital's short and so inventories have had to be slimmed down. GSE can be viewed as a nuisance for airlines because it requires maintenance: so why not make it someone else's problem? We are in a position to offer a maintenance facility so that all these concerns are taken care of.

"To be honest, COVID has opened up an opportunity for those who see it. GSE at many airports in the US is an eyesore; there is old equipment, run-down equipment and damaged GSE. Some GSE that is operating may not be as safe as more modern equivalents, which is an important point to consider when it comes to the need for a safer ramp. Leasing means that a carrier or handler can be supplied with the optimum quantity of GSE; no surplus and no idle equipment means a more economical model. And of course, equipment can be updated on the expiry of the lease.

"Carriers, and to a lesser extent handlers, are looking at a transformation process today and GSE provision is one element of this whole. A holistic approach is what we take, based on our global experience in this area – and we can bring benefits to any operation through our model."

The inroads, then, have been made. And COVID-19 or no COVID-19, it will be interesting to watch further developments in the leasing sector in the US as 2021 gets underway. **R2N**

Belgium-based TCR reports renewed interest in the US since COVID-19

