

Biman Bangladesh Airlines Limited
Registered Office: Balaka, Kurmitola, Dhaka-1229

**Mirutes of the 116th Meeting of
the Board of Directors held on 3rd September 2013**

The 116th Meeting of the Board of Directors of Biman Bangladesh Airlines Limited was held on 3rd September 2013 at 06:00 p.m. in the Board Room of the Company's Registered Office, Dhaka. Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (retd), Chairman, Biman Board presided over the meeting.

Directors Present:

1. Air Marshal Jamal Uddin Ahmed, ndc, bems, psc (retd)
Chairman, Biman Bangladesh Airlines Limited
2. Mr. Fazle Kabir
Secretary, Finance Division, Ministry of Finance
& Director, Biman Bangladesh Airlines Limited
3. Mr. Khurshed Alam Chowdhury
Secretary, Ministry of Civil Aviation & Tourism
& Director, Biman Bangladesh Airlines Limited
4. Justice (Former) A. F. M. Mesbahuddin
Senior Advocate, Supreme Court of Bangladesh
& Director, Biman Bangladesh Airlines Limited
5. Air Vice Marshal Abu Esrar, ndc, acsc
Assistant Chief of Air Staff (Operation & Training)
& Director, Biman Bangladesh Airlines Limited
6. Maj Gen Abul Hossain, ndc, psc
Engineer-in-Chief, Bangladesh Army
& Director, Biman Bangladesh Airlines Limited
7. Mr. Abul Kashem Ahmed
Former First Vice President, FBCCI
& Director, Biman Bangladesh Airlines Limited
8. Mr. Shah Md. Zakaria Bhuiyan, FCA
Principal, S.M. Zakaria & Co. Chartered Accountants
& Director, Biman Bangladesh Airlines Limited
9. Mr. Kevin John Steele
Managing Director & CEO, Biman Bangladesh Airlines Ltd.

Leave of Absence granted to:

1. Mr. Molla Waheeduzzaman
Senior Secretary, Prime Minister's Office
& Director, Biman Bangladesh Airlines Limited
2. Professor Iqbal Ahmad
Institute of Business Administration, DU
& Director, Biman Bangladesh Airlines Limited

The Chairman welcomed the Hon'ble Directors of the Board present. The meeting then proceeded with following agenda for discussion:

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AGENDA # 01**Confirmation of the Minutes of 115th Meeting of the Board held on 19 August 2013:**

Managing Director & CEO, with kind consent of the Chair, read out the minutes of 115th Meeting of the Board and intimated the progress on implementation of the decisions. The Board discussed on several issues, as recorded in the minutes.

1. Agenda # 04 of 115th Meeting

Recent incident in BFCC:

- (a) In the Decision of the agenda, the wordings "CBA elections" to be replaced by "Biman Shramik League (Central Committee) Election".
- (b) The Board condemned the incident of BFCC incited by the activists of CBA during the IOSA audit in Biman and entrusted the matter upon Biman management for necessary action.

2. Agenda # 05 of 115th Meeting

Placement of Internal Audit Department under the Directorate of MD & CEO:

With regard to the agenda, the decision to be amended and read as under:

The subject matter will be dealt as per requirement of the Securities & Exchange Commission (SEC). Biman management, if necessary, may obtain guidelines from SEC in this regard.

3. Agenda # 07 of 115th Meeting

Current status of Biman Shramik League (Reg-B2025):

In the Decision of the agenda, the wordings "CBA elections" to be replaced by "Biman Shramik League (Central Committee) Election".

4. Agenda # 08 Misc-2 of 115th Meeting

Designating the services of the employees of Biman as "Essential Services":

The Board opined that the above issue concerns with Labour Directorate as well. Therefore, Ministry of Civil Aviation & Tourism may be requested to take up the matter with the government.

5. Agenda # 08 Misc-3 of 115th Meeting

Selection of Strategic Partner and Joint Venture for Ground Handling and Cargo Handling:

In reference to the discussion and decision on the subject agenda as recorded in the minutes of 115th Meeting, the Board further discussed that Biman appointed consultant in 1998 to search for a Strategic Partner for Biman. Expression of Interest (EOI) was also floated and some airlines showed interest. Finally Strategic Partner could not be engaged due to prevailing conditions of Biman at that time.

The Board further **DECIDED THAT-**

- a. Managing Director & CEO will study the report of consultant and related documents regarding search for Strategic Partner of Biman in 1998/99.
- b. Based on past experience and prevailing conditions, Managing Director & CEO will prepare a comprehensive proposal on engagement of Strategic Partner for Biman and place before the Board for discussion and decision on the matter.

6. Agenda # 08 Misc-9 of 115th Meeting

Request for proposal for three months ACMI lease up to 04 aircraft of any type with minimum 250 seats:

Upon query of the Board in reference to the decision regarding approval for lease of one 767 aircraft (ACMI lease), Managing Director & CEO informed that he had checked with Mr. A. S. M. Monjur Emam, Controller of Accounts and found the calculation in order favoring the decision for three months ACMI lease of one 767-300 aircraft from Mongolian Airlines.

Having discussed as above, the Board confirmed the minutes of 115th Meeting of the Board of Directors.

AGENDA # 02 & 03

Approval of 2012-13 Accounts (Revised) and 2013-14 Budget (Proposed):

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. The Proposed Budget for the year 2013-14 and Revised Budget for the year 2012-13 were placed before the 114th Meeting of the Board of Directors held on 20th July 2013. It was discussed and suggested in the meeting to provide the reasons for decrease of revenue and increase of expenditure a) Original Budget 2012-13 and Revised Budget 2012-13 and b) Proposed Budget 2013-14 and Revised Budget 2012-13 to the next Board Meeting.
02. Reasons for difference between Original Budget 2012-13 and Revised Budget 2012-13 is enclosed in Annexure "A" to the working paper and Proposed Budget 2013-14 and Revised Budget 2012-13 is enclosed in Annexure "B" to the working paper for kind perusal.
03. The explanation to make up the shortfall of Proposed Budget 2013-14 is enclosed in Annexure "C" of the working paper.
04. Submitted for kind approval of Revised Budget 2012-13 and Proposed Budget 2013-14.
05. Discussion:

Controller of Accounts, Biman explained the reasons for increasing expenditure on different heads of account in FY 2012-13 which led to net loss of Tk.249.87 crore in 2012-13 accounts (Annex-A of working paper).

Controller of Accounts also presented the proposed budget 2013-14 showing deficit of Tk.118.64 crore and explained the reasons for difference in revenue earnings and expenditures in comparison of revised budget 2012-13 and proposed budget 2013-14 (Annex-B of working paper).

5.1 Original and Revised Budget 2012-13

5.1.1 With regard to revised budget 2012-13, the Board observed the following:

- a. Total revenue income decreased from Tk.4,914.93 crore to Tk.4,080.03 crore (-17%) and revenue expenditure decreased from Tk.4,896.50 crore to Tk.4,329.90 crore (-12%) resulting in net loss of Tk.249.87 crore in place of estimated profit of Tk.18.43 crore.
- b. Passenger transportation decreased from 1.853 million to 1.583 million (-14.6%).

- c. ASK and RPK declined by 27% and 28% respectively.
 - d. The Board reviewed the increase of revenue expenses in some heads of account such as; Overtime, Refused days off, Transfer, Outstation allowance, Income tax on salary, Misc. personnel exp., Telephone, Maintenance of aircraft, Maintenance of ground equipment, Reservation, BSP, Pax meal-flight, Pax meal-ground, Passenger layover, Education allowance etc.
 - e. The Board pointed out that besides mentioning the reasons for cost increase, there should be a remarks column in the statement, wherein the measures of cost control to be mentioned.
- 5.1.2 Managing Director & CEO informed that from September 2013, monthly monitoring of budget is being introduced.
- 5.1.3 Secretary, Ministry of Finance appreciated the efforts of Biman to identify the reasons for cost increase in different heads of account. However, there should have a statement as to how the deficit of the budget has been met.
- 5.1.4 Managing Director & CEO informed the Board that deficit of revised budget 2012-13 has been met mainly through non-payment of dues to CAAB and Fuel Company. Secretary, Ministry of Finance opined that Biman should limit its expenditure in different heads of account commensurate with budgetary provision and financial capacity.
- 5.1.5 Mr. S. M. Zakaria Bhuiyan, FCA, pointed out that the actual expenditure of FY 2012-13 would be known only after auditing and in that case the loss of FY 2012-13 might increase after adjustment of revenue income and expenses.
- Controller of Accounts expressed optimism that there would not be a substantial change of financial figures in audit.
- 5.1.6 The Board noted the revised budget 2012-13 and opined that after completion of audit, the final accounts of FY 2012-13 would be approved.
- 5.2 Proposed Budget 2013-14**
- 5.2.1 In the proposed budget 2013-14, the Board observed that-
- a. Total estimated revenue is Tk.5,695.41 crore and expenditure is Tk.5,814.05 crore, thus represents a financial loss of Tk.118.64 crore.
 - b. Transportation of passenger estimated to be 2.284 million which is 44% higher than actual (1.583 million) of 2012-13.
 - c. ASK and RPK estimated to be increased by 36% compared to revised budget 2012-13.
 - d. In 2013-14 budget, the Board noticed breakdown of total revenue earnings as under:

Particulars	Proposed budget 2013-14	Revised budget 2012-13	(Tk. In crore)
Revenue from passenger	4,269.69	3,051.61	40%
Revenue from cargo	440.85	289.64	52%
Excess baggage	121.68	63.09	93%
Mail	1.59	0.88	80%
Handling Service (Cargo & others)	744.28	568.99	31%
Revenue from BFCC	99.99	92.74	8%
Revenue from BPC	17.33	13.08	32%
Total	5,695.41	4,080.03	40%

- e. Total estimated expenditure of Tk.5,814.05 crore in 2013-14 budget represents an increase of 34% over the last year.
- 5.2.2 The Board asked the reasons for substantial increase of expenses on major heads of expenditure like salary & allowances, crew layover, services hired, renovation, maintenance of aircraft, landing charges, traffic handling, advertising etc.
- 5.2.3 Managing Director & CEO, Biman explained that Biman's operation will increase through induction of aircraft on dry lease from November 2013 onward and acquisition of two new 777-300ER in February/March 2014. As such revenue income and operational expenses will increase as projected in 2013-14 budget. Managing Director & CEO also informed that due to increase of operational activities, necessary manpower to be recruited in 2013-14, as such expenses on account of salary & allowances would increase. Moreover, consultants in some areas will be appointed for system development. This will increase expenses on account of service hired.
- 5.2.4 Managing Director & CEO further informed that the deficit of Tk.118.64 crore in 2013-14 budget will be met by increasing revenue target as shown at Annex-C of the working paper.
- 5.2.5 The Board advised Biman management to achieve the revenue target as projected in 2013-14 budget and establish budgetary discipline for cost control. The Board also advised to maintain ceiling on telephone call for the outstations of Biman.

06. Decision:

After a detailed discussion, it was **DECIDED THAT-**

- a. The Board took note of the revised budget 2012-13 and that post-facto approval would be given after completion of audit on 2012-13 accounts.
- b. The Board also approved proposed budget 2013-14 and advised Biman management to achieve the target through strict compliance of budgetary discipline at least to arrive at a break-even point.
- c. Biman management will monitor the budget on monthly/quarterly basis to avoid any cost overrun. Biman management will also adopt cost control measures for different heads of expenses as discussed above.

AGENDA # 04

Post-facto approval for RFP for Sale and Leaseback of 02 (two) 737-800 aircraft and financing of the aircraft to be delivered by Boeing in November/December 2015:

A working paper on the subject was placed before the Board Meeting, which reads as under:

- 01. Biman Bangladesh Airlines Ltd. signed agreement with Boeing on 22 April and 30 May 2008 for purchase of 4 X 777-300ER, 4 X 787-8 and 2 X 737-800 aircraft. Two 777-300ER was delivered to Biman in September/October 2011 and another two 777-300ER are scheduled to be delivered in February and March 2014. The Government of Bangladesh has provided Sovereign Guarantee for financing of 4 X 777-300ERs. Delivery of 02 (two) 737-800 has been rescheduled from January-February 2015 to November-December 2015 and delivery of 4 X 787-8 is scheduled in 2019/20.

02. Pre-delivery payment (PDP) of approx. USD53.45 million for 02 (two) 737-800 is due on 1st October 2013. Biman requested to the Ministry of Civil Aviation & Tourism to arrange Sovereign Guarantee for PDP financing of 02 (two) 737-800 aircraft. However, M/O Civil Aviation & Tourism requested following information (Annex-A of the working paper):
- Certification that PDP and DP (Delivery Payment) financing for two 737-800 not possible out of Biman's own fund and to arrange foreign credit through ERD, or to provide documents regarding Biman Board's approval to arrange 'no objection certificate' from ERD and Planning Commission.
 - Loan repayment plan and arrangement for aforesaid two 737-800 aircraft.
 - Business Plan for the two aircraft including estimated Income-Expenditure, IRR, Cost recovery mechanism etc.
 - DPP/PDPP for purchase of aircraft to obtain opinion of Planning Commission.
03. In 1st Meeting of the Board of Directors held on 19 August 2013, the possibility of Sale and Lease-back Financing of 02 (two) 737-800 aircraft was discussed and initially showed interest in the proposal. However, it was decided to discuss the matter by the Board Committee on Procurement of Aircraft.
04. In the meeting of the Board Committee on Procurement of Aircraft held on 29th August 2013 under the chairmanship of AVM Abu Esrar, Director, Biman Board, the proposal of Sale and Lease-back of two 737-800 aircraft was discussed, among others. In the meeting Managing Director & CEO, Biman explained that
- PDP of approximately USD53.45 is due on 1st October 2013 for delivery of 2 X 737-800 in November and December 2015 and if PDP cannot be made on 1st October 2013, the delivery of 737-800 aircraft would be shifted with a sliding charge of approximately USD7.00 million as penalty.
 - There is hardly any possibility of getting Sovereign Guarantee against PDP financing by 1st October 2013 and subsequently Delivery Payment (DP) financing.
 - Therefore, Sale and Lease-back would be a solution for financing of PDP and DP for two 737-800 aircraft and to avoid shifting of delivery schedule with price escalation. Under the Sale and Lease-back proposal, the aircraft will be sold to the interested Leasing Companies or Banks or Financial Institutions, which will finance for PDP and DP of the aircraft and the aircraft will be leased-back to Biman under operating lease for a specified period and after the lease period, Biman, if wishes, may or may not acquire ownership of the aircraft.
 - As such Biman should immediately invite Request for Proposal (RFP) from Leasing Companies, Banks and financial Institutions for Sale and Lease-back financing of two 737-800 aircraft.
05. The Board Committee after a detailed discussion decided to carry out the following three actions simultaneously:
- Request the Boeing Company immediately to extend 03 (three) months' time for Pre-delivery payment i.e. on 1st January 2014 instead of 1st October 2013 without shifting delivery schedule of 2 X 737-800 aircraft.
 - Provide necessary information to the Ministry and pursue for Sovereign Guarantee against PDP financing of 2 X 737-800 aircraft.
 - Float RFP immediately for Sale and Lease-back of 02 (two) 737-800 aircraft as proposed by Managing Director & CEO taking consent of the Chairman of Biman Board.

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Accordingly, with kind consent of the Chairman, Biman Board, an RFP has been floated through Biman's Web-site on 29th August 2013 and the offers will be opened on 10th September 2013 (Annex-B of the working paper).

06. In view of the above, the following proposals are placed before the Board:
- a. To accord post-facto approval with regard to floating RFP for Sale and Lease-back financing of 02 (Two) 737-800 aircraft as at Annex-B.
 - b. To accord post-facto approval for requesting Boeing Company to extend three months' time for PDP financing of two 737-800 aircraft.
 - c. To provide necessary information to the M/O Civil Aviation & Tourism as mentioned at Para-2 and pursue with the Ministry for Sovereign Guarantee against PDP financing of approximately USD 53.45 million for the aforesaid 02 (two) 737-800 aircraft.
 - d. In connection with Para-6(c), M/O Civil Aviation & Tourism may also be informed that financing of two 737-800 aircraft from Boeing out of Biman's own resources would not be possible and hence ERD may arrange funding from suitable sources. Alternatively, M/O Civil Aviation & Tourism may be requested to obtain "No Objection" from ERD/Planning Commission to arrange US EXIM Bank supported financing for 02 (Two) 737-800 aircraft scheduled to be delivered in November and December 2015.
07. Submitted for kind approval on the proposals of Para-6 above.
08. Discussion:
- 8.1 Managing Director & CEO informed the Board that as per purchase agreement with Boeing, two 737-800s are scheduled to be delivered in November and December 2015. Pre-delivery Payment (PDP) of USD 53.45 million for these two aircraft is due on 1st October 2013. Earlier the government of Bangladesh provided Sovereign Guarantee for financing of two 777-300ER acquired in 2011. The government also provided Sovereign Guarantee for financing of PDP and Delivery Payment (DP) of another two 777-300ER due for delivery in February/March 2014. In order to avoid uncertainty of receiving further Sovereign Guarantee from the government, it has been proposed for Sale and Lease Back of two 737-800 aircraft.
- 8.2 Managing Director & CEO added that pursuant to the discussion and decision of the Board committee meeting as at para-5 of the subject agenda, Boeing has been requested to extend three months time for Pre-delivery payment i.e. up to 1st January 2014. An RFP for Sale and Lease Back of two 737-800 has also been floated, for which post-facto approval of the Board is required.
- 8.3 Secretary, Ministry of Finance mentioned that purchase of 02 X 737-800 is the part of total 10 aircraft to be acquired from Boeing for modernization of Biman fleet. Sale and Lease Back of two 737-800 aircraft is a deviation from the original project, as such it needs approval of the government.
- 8.4 Secretary, Ministry of Civil Aviation & Tourism informed that Biman has not yet sent some relevant information as requested by the Ministry in support of asking Sovereign Guarantee for PDP financing of two 737-800 aircraft.
- 8.5 The Chairman of the meeting mentioned that PDP for 2 X 737-800 aircraft is to be made on 1st October 2013, failing which a sliding charge of approximately USD 7.00 million will involve as mentioned in the working paper. Therefore, concurrent actions at para-5 along with floating of RFP for Sale and Lease Back of two 737-800 is the essence of time.

09. Decision:

After a detailed discussion, the meeting unanimously **RESOLVED THAT-**

- a. Biman will pursue with Boeing for three months extension of PDP against two 737-800 aircraft without shifting delivery schedule and imposing any penalty as already requested.
- b. A letter will be sent to the Ministry of Civil Aviation & Tourism along with the proposal for Sale and Lease Back of two 737-800 aircraft for decision/approval of the government. Option for funding by the government or issuance of Sovereign Guarantee may also be mentioned in the letter.
- c. Action on the RFP for Sale and Lease Back of two 737-800 aircraft will be subject to approval of the government.
- d. Biman will also send necessary information to the Ministry of Civil Aviation & Tourism as asked earlier to consider issuance of Sovereign Guarantee for PDP financing of two 737-800 aircraft. In this connection the proposal of para-6(c) & (d) is also approved.
- e. Action to be taken pending finalization and confirmation of the minutes.

AGENDA # 05**Biman nonpayment of Padma and CAAB dues :**

01. Managing Director & CEO presented a list of Biman's outstanding payment of BDT 1,426.98 crore to different organizations/agencies as under:

Name of Org./agency	Amount due as on 15.08.2013 (Tk. In crore)	Remarks
Padma Oil Co.	752.00	
CAAB	314.00	Tk. 314 crore due as per Biman's record. CAAB claimed Tk.689 crore.
NBR	157.89	Due for income Tax on employees' salary, gross revenue and FTT.
Different Suppliers	86.92	
Ministry of Finance	116.17	Loan for final settlement of VRS- employees
Total	1426.98	

Managing Director & CEO mentioned that capital injection of Tk.1000 to 1200 crore (USD 125 to 150 million) is needed for operation of the airline, otherwise survival of Biman will be at stake.

02. Secretary, Ministry of Civil Aviation & Tourism expressed grave concern over Biman's nonpayment of tax to the government. He mentioned that other organizations are also citing reference of Biman as to nonpayment of dues to the government. Biman must pay tax to the government before disbursement of salary to the employees he added.

Secretary, Ministry of Civil Aviation & Tourism informed that Bangladesh Petroleum Corporation (BPC) is at stake keeping huge amount of money outstanding with Biman as cited by Chairman, BPC. Biman is also not paying dues to CAAB for a long time.

Secretary, Ministry of Civil Aviation & Tourism advised that Biman must have a long-term payment plan to clear the dues to different organizations.

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03. The Chairman of the meeting also expressed dissatisfaction on the recalcitrance of Biman as to nonpayment of outstanding dues including nonpayment of tax to the government in spite of discussion on the matter several times in the past.

04. **Decision:**

After the discussion it was **DECIDED THAT-**

- a. Biman will make payment of tax to NBR on priority basis.
- b. Foreign Travel Tax (FTT) to be paid to the government immediately after collection from the passengers. Direct payment of travel tax through BSP may also be effected.
- c. Biman will make a long-term payment plan for the dues to BPC/Padma Oil Co. and CAAB – upon discussion.

AGENDA # 06

Possible Sale & leaseback on Biman's current 2 B777-300ER aircraft:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Biman is in a very difficult situation financially. Biman has been losing money for several years, and currently has accumulated debt in excess of USD150m. This is expected to worsen significantly in the coming year. In addition to a small operating loss in 2013/14, we are funding the purchase of a spare engine from our own resources, and accumulated losses will top USD200m by the end of 2013/14 FY. Even a move to profitability from 2014/15 onwards wont make much of a dent in our accumulated losses for many years. We are also a late payer to many other suppliers, which only makes Biman less attractive for suppliers, as our creditworthiness falls further.
02. Biman has only managed to survive, because of a) it has deferred payments to suppliers, mostly PADMA and CAAB – outstandings now exceed USD150m b) it has not invested in any equipment, vehicles, systems, training for many years. Pressure is now mounting to pay these debts.
03. Biman is now what is termed in the finance industry, as 'Asset Rich, Cash Poor'. We have new aircraft (and are getting 2 more), we have a new engine, we have lots of property – but no cash to run our business. This will eventually make operating as an airline impossible. We also have a big cash-flow gap looming in October 2013.
04. We therefore need to unlock the value of our assets, to help drive our business forward, and allow us to expand profitably. I have 5 suggestions:
 - 1) We work hard to unlock the value of our property. We are already working on the Motijheel and Farmgate projects, and other properties in Bangladesh will follow. However, this will not yield any significant cashflow – either rental or lumpsum payments – for 2 to 3 years. The Board still needs to visit the London office, to decide on how to proceed there, which could be a small (USD10m +) short-term boost.
 - 2) We look to the JVs in both ground handling, and cargo (and later in catering, engineering, training etc), as a way not just to massively improve the quality of our product, but also avoid any capital investment in these areas.
 - 3) If (and only if) the Government decides that a Strategic Partner to Biman could involve a minority shareholding, this could realize significant capital, but the Government may wish to use this themselves.

- 4) We should aggressively negotiate our debts with Padma and CAAB. I don't think we should be paying VAT on fuel (we tanker fuel into Bangladesh as it is so expensive here), and that should be removed from our Padma debt. On the CAAB side, we obviously should pay all non-aeronautical charges, but we should negotiate a discount on outstanding aeronautical charges.
 - 5) However, we will still need a huge (USD100m+) cash injection to survive and grow, as well as pay our debts. The only way we can do this in the short-term, is to offer a sale/leaseback offer on our 2 current B777-300ERs. A Bank or Leasing company will buy them from us, paying us cash, then lease it back to us over a 10-12 year period. We could have the option of buying the aircraft at the end of the leasing period. This is exactly what Air India did a couple of years ago, to fund their growth.
05. I would therefore recommend floating an RFP for point 5).

06. **Discussion:**

- 6.1 Referring to the discussion on agenda-5, Managing Director & CEO mentioned that Biman needs capital injection of more than USD 100.00 million to pay off the dues to other parties and also to make investment for purchase of handling equipment, vehicles, training and system development. He also mentioned that Biman has some valuable assets including land & building, aircraft. Pending incorporation of Strategic/Equity Partner, Biman may arrange funding by unlocking value of its own assets to drive business forward.

Managing Director & CEO proposed that the Sale and Lease Back of existing two 777-300ER aircraft would render a short-term solution to Biman.

- 6.2 It came up in the discussion that Biman's existing two 777-300ER aircraft are mortgaged with bank against financing for purchase. The incremental value of the aircraft after repayment of dues could hardly meet cash deficit of Biman.

The meeting, however, opined that the proposal for Sale and Lease Back of existing two 777-300ER aircraft would require approval of the government.

07. **Decision:**

After the discussion, it was unanimously **DECIDED THAT-**

- a. Biman will send a concept paper to the government through Ministry of Civil Aviation & Tourism regarding Sale and Lease Back of two 777-300ER aircraft of Biman.
- b. Action to be taken before finalization and confirmation of the minutes.

AGENDA # 07

Hajj Aircraft Updates:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. This year Biman is expected to carry approximately 44,000 pilgrims (50% of total). These pilgrims will be transported to Jeddah and back through operation of dedicated Hajj flights with one 777-300ER (419 seats) and one lease 747-400 aircraft (582 seats) and also through scheduled flights to Jeddah. Biman has already declared schedule for hajj operation with 82 flights in pre-hajj and 83 flights in post-hajj phase.

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02. Biman already signed an agreement with Kabo Air, Nigeria on 19th August 2013 for ACMI lease of one 747-400 aircraft (Regn 5N-MDK, MSN 26878). The aircraft is expected to arrive at Dhaka on 5th September 2013 and commence hajj operation on 7th September 2013.
03. As per decision of the Board of Directors, three months ACMI lease of another one 767-300ER aircraft of 263 seating capacity from Mongolian Airlines is under process. The aircraft will be operated to support normal scheduled flights of Biman due to withdrawal of one 777-300ER for dedicated Hajj operation. Biman inspection team has already inspected the aircraft. Now signing of lease agreement with Mongolian Airlines is awaited. The aircraft is expected to arrive before 7th September 2013.
04. Submitted for information of the Board of Directors.
05. Discussion & Decision:

The meeting took note of the progress on ACMI lease of one 747-400 aircraft from Kabo Air for Hajj Operation and steps for acquisition of one 767-300ER from Mongolian Airlines for three months ACMI lease during Hajj Operation.

The Board advised Biman management to complete all preparations for Hajj Operation on top priority basis.

AGENDA # 08

Approval for RFPs for dry lease of both B777-200ER and any aircraft 250+ seats from November 2013:

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Pursuant to the decision of the Board of Directors, Biman invited Request for Proposal (RFP) for five years dry lease of 2+2 Boeing 777-200/200ER aircraft as under:

Board Meeting	RFP date	Opening of offers	Number of bidders submitted offers	Commencement of lease	Status of offers in evaluation
110 th Mceting dated 15.4.2013	17.04.2013	12.05.2013	07	1 st July 2013	Non-responsive
111 th Meeting dated 14.5.2013	16.05.2013	16.06.2013	04	Middle of August 2013	Non-responsive

Some mandatory conditions of RFP schedule were as under:

- D-Check/Heavy maintenance check must not fall due within first two years of lease.
- If the lessor is not the owner of the aircraft, owner's authorization/mandate must be submitted along with offer.

The offers received through above RFPs were non-responsive in evaluation mainly due to non-compliance of mandatory requirements as per conditions of tender schedule. Moreover, availability of aircraft proposed by some bidders beyond the commencement date also led to non-responsiveness of offers.

02. Due to non-availability of 777-200/200ER aircraft in spite of RFP, the Board Committee on Procurement of Aircraft in its meeting held on 29th August 2013 with AVM Abu Esrar, Director, Biman Board in the Chair, reviewed the RFP schedule and decided to bring following changes in the schedule for flexibility and to get aircraft meeting the terms & conditions of RFP schedule:

Sl. No.	Particulars	Previous conditions of RFP schedule	Proposed changes in RFP schedule
i.	Number and type of aircraft	02 (two) 777-200/200ER aircraft powered by any engine	02 (two) 777-200ER aircraft. Both aircraft must have same configuration, same type of engine and avionics.
ii.	Authorization	If the lessor is not the owner of the aircraft, owner's authorization/ mandate must be submitted along with offer/proposal.	If the lessor is not the owner of the aircraft, owner's authorization/mandate must be submitted prior to negotiation.
iii.	Commencement of lease (tentative)	From 1 st July 2013/Middle of August 2013	Mandatory by 1 st January 2014 Preferably by November 2013
iv.	D-Check/Heavy Maintenance Check	Must not fall due during first two years of lease period.	Must not fall due during first one year of lease period from the date of commencement of lease. If D-Check/Heavy Maintenance Check is due in the 2 nd year, the lessor must pay the difference between E-check/Heavy Maintenance cost and accumulated Maintenance Reserves.
v.	Operation of the Aircraft	The base of the aircraft will be at Dhaka, Bangladesh. The aircraft will be operated on mid-haul and long-haul routes.	The base of the aircraft will be at Dhaka, Bangladesh. The aircraft will be operated on mid-haul and long-haul routes. The aircraft must be able to operate direct from Dhaka to London and back with full payload.
vi.	Fuel burn per Block Hour	Fuel burn per Block Hour on DAC-RUH-DAC with full payload (Pax Weight 120 Kg with baggage)	Fuel burn per Block Hour on DAC-JED-DAC with full payload (Pax Weight 120 Kg with baggage)
vii.	Cargo carrying capacity	Cargo carrying capacity on DAC-RUH-DAC with full payload (Pax Weight 120 Kg with baggage)	Cargo carrying capacity on DAC-JED-DAC with full payload (Pax Weight 120 Kg with baggage)

03. In the meeting of the Board Committee on Procurement of Aircraft held on 29th August 2013, Managing Director & CEO, Biman also proposed to float RFP for five years dry lease of 02 (two) aircraft of any type with capacity 250-Seats or above to induct optimum capacity aircraft to replace Biman's 02 X DC10-30 aircraft. The Board Committee agreed with the proposal and reviewed the RFP schedule for such aircraft and opined to reflect changes in the RFP schedule as above with amendment of the type of aircraft, seat configuration and operational capability as under:

- a. **Number and type of aircraft:**
Any type of aircraft, both aircraft must have same configuration, same type of engine and avionics.
- b. **Configuration:** Two class configuration with minimum 250 seats or above.
- c. **Operational capability:**
The aircraft must be able to operate direct from Dhaka to London and back with minimum 250 seats.

04. In view of the above, it is proposed that Biman may invite RFP for dry lease of 02 (two) 777-200ER aircraft and 02 (two) aircraft of any type with capacity 250 seats or above for a period of five years from November 2013 with an amendment of RFP schedule as at Para-2 and 3 above.

05. Submitted for kind consideration and approval of the Board of Directors.

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06. **Discussion:**

- 6.1. The meeting discussed on the proposed changes of RFP Schedule for dry lease of 2 x 777-200ER aircraft as to make it flexible for getting more responsive offers. The meeting also agreed with the proposal for taking five years dry lease of 02 (two) aircraft of any type with capacity minimum 250 seats or above to replace two DC10-30 aircraft of Biman.
- 6.2. The meeting, however, opined to include further amendment in the RFP Schedule as under:
- a. **Number and type of aircraft**
Both aircraft must have similar configuration, similar type of engines and avionics.
 - b. **Commencement of lease**
 - Mandatory by January 2014 instead of 1st January 2014.
 - Preferably by November 2013.
 - c. **Offer of single aircraft**
Offer of single aircraft will be acceptable. In other words, two aircraft from two separate source can be accepted provided both aircraft have similar configuration, similar type of engines and avionics.
 - d. **Operational Capability**
In reference to para-3(c), the wordings "250 seats" may be replaced by "250 passengers and baggage".

Above amendments will be applicable for the RFP Schedule of aircraft with capacity minimum 250 seats or above and amendments at para-6.2 (a), (b) & (c) will be applicable for the RFI Schedule of 777-200ER aircraft.

07. **Decision:**

- a. The Board approved the proposed changes of RFP Schedule for dry lease of two 777-200ER and two aircraft with capacity minimum 250 seats or above mentioned at para-2 and 3 subject to amendment at para-6.2 above.
- b. The Board also accorded approval for floating RFP for five years' dry lease of 02 (two) 777-200ER and 02 (two) aircraft of any type with capacity minimum 250 seats or above.
- c. Action to be taken before finalization and confirmation of the minutes.

AGENDA # 09

Extension of retirement age of BPC permanent employees

A working paper on the subject was placed before the Board Meeting, which reads as under:

01. Board of Directors of Biman Bangladesh Airlines Ltd. in its meeting no. 98th and 101st, dated 4th September 2012 and 9th October 2012 respectively, has extended the retirement age of Biman permanent employees from 57 years to 59 years.

02. Biman Poultry Complex (BPC) is a sister concern of Biman Bangladesh Airlines Ltd. At present 63 employees are working in BPC permanently against 90 approved post. Biman Bangladesh Airlines Ltd. has issued Admin. Order No. 25/2012, date 29th October 2012 for enhancement of retirement age from 57 years to 59 years w.e.f. 9th October 2012. BPC would like to enhance the retirement age of its permanent employees from 57 years to 59 years like Biman employees. The matter was discussed in the BPC Board meeting no. 5 held on 23rd May 2013 and the Board has agreed in principle to enhance the retirement age of BPC permanent employees from 57 years to 59 years and advised to submit a Board paper to Board of Directors. Therefore, the proposal for enhancement of retirement age of BPC employees is submitted before Biman Board of Directors for kind approval.

03. Submitted.

04. Discussion & Decision:

Not discussed.

AGENDA # 10 Miscellaneous-01

Estimated profitability for the period from July 2012 to June 2013:

A working paper on the subject was placed before the Board Meeting, which reads as under:

1. A summary on the profitability of Biman for the period July 2012 to June 2013 was placed as under:

Biman:

Particulars	Tk. in lakh
Revenue Income	397,421.03
Expenses	423,679.75
Profit/ (Loss)	(26,258.72)

BFCC:

Particulars	Tk. in lakh
Revenue Income	9,274.25
Expenses	8,159.37
Profit/ (Loss)	1,114.88

BPC:

Particulars	Tk. in lakh
Revenue Income	1,308.10
Expenses	1,151.26
Profit/ (Loss)	156.84

Grand Total:

Particulars	Tk. in lakh
Revenue Income	408,003.37
Expenses	432,990.37
Profit/ (Loss)	(24,987.00)

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2. Analysis

- a. Revenue from Passenger constitutes 74.8% of total revenue earnings.
- b. Revenue from cargo represents 7.10% of total revenue earnings.
- c. Revenue from excess baggage represents 1.55% of total revenue.
- d. Income from ground handling constitutes 11.8% of total revenue earnings.
- e. Other non-operating income is 2.07% of total revenue earnings.
- f. Revenue of BFCC is 2.27 % of Biman's total revenue.
- g. Revenue of BPC represents 0.32% of Biman's total revenue.
- h. Variable cost is 71.69% of total operating cost.
- i. Fuel & Oil cost is 46.05% of total operating cost.
- j. Engg. & Maintenance cost is 7.78% of total operating cost.
- k. Total fixed expenses are 28.31% of total operating cost.

3. The meeting noted the estimated accounts of FY 2012-13. Discussion on the financial accounts of 2012-13 already covered in agenda-2 & 3. The Board, however, advised Biman management to show the financial performance of Hajj Operation separately to know the actual performance of normal scheduled operations.

Having no other issues for discussion, the meeting ended with a vote of thanks to and from the Chair.



22/9/13

Air Marshal Jamal Uddin Ahmed
ndc, bems, psc (Retd)
Chairman, Biman Bangladesh Airlines Limited