

Biman Bangladesh Airlines Limited

Registered Office: Balaka, Kurmitola, Dhaka-1229

**Minutes of the 119th Meeting of
the Board of Directors held on 16th November 2013**

The 119th Meeting of the Board of Directors of Biman Bangladesh Airlines Limited was held on 16th November 2013 at 04:00 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. Professor Iqbal Ahmad
Institute of Business Administration, DU
& Director, Biman Bangladesh Airlines Limited
9. Mr. Shah Md. Zakaria Bhuiyan, FCA
Principal, S.M. Zakaria & Co. Chartered Accountants
& Director, Biman Bangladesh Airlines Limited
10. Mr. Kevin John Steele
Managing Director & CEO, Biman Bangladesh Airlines Ltd.

Leave of Absence granted to:

Mr. Molla Waheeduzzaman
Senior Secretary, Prime Minister's Office
& 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 118th Meeting of the Board held on 6th November 2013:

Managing Director & CEO, with kind consent of the Chair, read out the minutes of 118th Meeting of the Board and intimated the progress on implementation of the decisions so taken.

In course of discussion, S.M. Zakaria, FCA, Director Biman Board requested to record his following observations on the PRA (Passenger Revenue Accounting) system under agenda-4 of the minutes of 118th Meeting:

- a. What would be the cost involvement in implementation of new PRA system i.e. PRA system from Mercator ?
- b. How many days it will take to install the software ?
- c. How many people will require to be trained up for the system ?
- d. When the system shall be introduced/implemented (date/month) ?

The Board advised Biman Management to provide the above information in the next meeting and thus confirmed the minutes of 118th Meeting of the Board of Directors.

AGENDA # 02

Approval on 5-year dry lease for B777 and turboprop aircraft :

In connection with the agenda, three issues were placed before the Board Meeting under separate working papers as mentioned below:

AGENDA-2 (i) : Dry lease of two 777-200ER aircraft from Egypt Air:

01. Biman Board of Directors in its 116th meeting held on 03 September 2013 decided to float RFP for five years dry lease of 02 (two) 777-200ER aircraft. Accordingly, Biman invited RFP and received four offers. In evaluation, only the offer of 2X777-200ER aircraft provided by Egypt Air was found responsive. Subsequently, as per recommendation of the evaluation committee and also the Board Committee on Procurement of Aircraft, an inspect team was sent to Cairo, Egypt for physical inspection of the aircraft of Egypt Air. The Board in its 118th meeting, held on 06th November 2013 accorded post-facto approval for sending Biman team to Cairo, Egypt to carry out physical inspection of two 777-200ER aircraft.
02. An Inspection Team consisting of officials of Biman and CAAB visited Cairo, Egypt to inspect the aircraft. The team returned on 15 November '13 and the inspection report is yet to be submitted.
03. The above matter was placed before the meeting of Board Committee on Procurement of Aircraft, held on 15 November 2013. The Chairman of the Board Committee enquired from the Director Flight Operations and the Team Leader of Biman's Aircraft Inspection Team for two 777-200ER aircraft from Egypt Air to brief the meeting regarding the outcome of the Inspection just carried out. In response, the Director Flight Operations intimated the meeting that the full inspection report was not available at that moment. The Chairman was of the opinion that till having the full inspection report, discussion on the matter would not be realistic and the agenda was not discussed. After a brief discussion, the agenda was deferred to the next meeting of the Board Committee for discussion and decision.

04. Submitted for kind information of the Board of Directors.

05. **Discussion:**

- 5.1. The meeting was informed that Biman team including the officials of CAAB headed by Director Flight Operations carried out physical inspection of two 777-200ER aircraft and its documents offered by Egypt Air and the inspection report was still awaiting. Air Vice Marshal Abu Esrar, Chairman of the Board Committee on Procurement of Aircraft mentioned that after having the inspection report, the matter will be discussed in the meeting of the Board Committee along with financial analysis regarding induction of two 777-200ER aircraft on dry lease offered by Egypt Air and committee's recommendation will be given accordingly.
- 5.2. Managing Director & CEO reiterated his concern over the fleet constraints being aggravated by withdrawal of two DC10-30s and underscored the need for immediate lease of two 777-200ER aircraft from Egypt Air to cater to extreme operational necessity.
- 5.3. The meeting appreciated the urgent necessity of inducting two 777-200ER aircraft in Biman fleet and advised to take all necessary actions promptly.

06. **Decision:**

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

- a. The inspection report on two 777-200ER aircraft of Egypt Air is to be submitted immediately.
- b. The Board Committee on Procurement of Aircraft will review the inspection report and financial implications on induction of two 777-200ER aircraft offered by Egypt Air and place before the Board Meeting along with recommendations for further decision.
- c. Action to be taken before finalization and confirmation of the minutes of the meeting.

AGENDA-2(ii): Dry lease of any aircraft with min 250 + seats:

01. Biman Board of Directors in its 116th meeting held on 03 September 2013 accorded approval for floating RFP for five years dry lease of 02 (two) aircraft of any type with capacity minimum 250 seat or above. Per decision of the Board, Biman invited an RFP (Request for Proposal) through RFP Notice No. DACPM/138/2013/140 dated 15 September 2013. RFP was floated in the local dailies on 17 & 18 September 2013 and in the 'Flight International' Magazine in its issue of 24-30 September 2013. The RFP Notice and Schedule were also posted in the official website of Biman. Moreover, some Leasing Companies/Aircraft Suppliers were also requested through e-mail to participate in RFP. The offers were opened on 08 October 2013.
02. General requirements of the RFP schedule along with mandatory terms & conditions are mentioned below:

Sl. No	Particulars	Requirement
a.	Name of the Lessor and Owner	To be provided by the Bidder(s)
b.	Number and Type of Aircraft	02 (two) aircraft of any type (make and model).

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		<ul style="list-style-type: none"> Both aircraft must have similar configuration, similar type of engine and avionics.
c.	Seat Configuration	Two class standard configuration with capacity minimum 250 seats or above.
d.	Age of the Aircraft	Aircraft should not be more than 15 years of age at the time of submission of the proposal/offer.
e.	Nature & Period of Lease	Dry Lease for a period of 60 (sixty) months
f.	Commencement of Dry Lease	<ul style="list-style-type: none"> Mandatory by January 2014 Preferably by November 2013
g.	Heavy Maintenance Check	<ul style="list-style-type: none"> Heavy maintenance Check of the offered aircraft must not fall due during the 1st one year of the lease period from the date of commencement of the lease. If Heavy maintenance check is due in the second year, the lessor must pay the difference between the Heavy Maintenance cost and the accumulated Maintenance Reserves.
h.	Owner's Authorization	If the Bidder(s)/ Lessor(s) is not owner of the aircraft, then owner's authorization/mandate must be submitted prior to negotiation.
i.	Operational capability of the aircraft	The aircraft must be able to operate direct flight (non-stop) from Dhaka to London and back with minimum 250 passengers and baggage.
l.	Preference	<ul style="list-style-type: none"> Aircraft from a single source. Offer for one aircraft will be acceptable. However, for selection of aircraft, the criteria at SI No. 2(b) will be followed.

03. The following offers from 06 bidders were received by the Proposal Opening Committee (POC) on 08 October 2013 at 1000 hours BST (0400 hours UTC):

Sl.	Bidder	Number & Type of Aircraft	MSN	Seat Capacity	YOM	Monthly Lease Rent US\$
01.	Dubai Aerospace Enterprise (DAE)	(02) A330-200	874 939	269 269	2008 2008	\$650,000
02.	AIRBUS	(02) A330-243	437 451	281 281	2001 2002	\$550,000
03.	Fleet Ireland Aircraft	(01) A330-202	923	254	2008	\$450,000
04.	ILFC	(02) B767-300ER	26265 27613	250 to be Biman cost	March 1995 March 1997	\$235,000 \$215,000
05.	ATLAS	(02) B777-200 Japan Airlines	27364 27365	14F/82C/ 279Y=375	1996 1996	\$325,000
		(02) B767-300ER Qantas	28153 28154	Per LOPA more than 250	1996 1996	Not Quoted
		(02) B777-200ER Singapore Airlines	28521 28522	30C + 293Y= 323	2001 2001	\$670,000
06.	Globalsky Ltd.	B767-300ER	-	-	-	\$650,000

04. The received offers were placed before the Biman Techno Financial Sub-Committee. The sub-committee found that five offers of four bidders (M/s Fleet Ireland Aircraft, M/s ILFC, M/s ATLAS and M/s Globalsky) do not meet most of the must requirements as such the offers are non-responsive. The sub-committee also found the other three offers as a prospective bidder and accordingly they were asked further information for evaluation of the offers. In response to the queries made by the Sub Committee, the bidders responded and on the basis of their response, the Techno Financial Sub-Committee had an elaborate discussion on the remaining 3 Offers and found with the following findings and concluded as follows:

(a) M/s DUBAI AEROSPACE ENTERPRISE :

- (i) M/s DAE Aerospace is the owner of MSN 874 and MSN 939.
- (ii) The offered MSN's 874 and 939 would require undergoing 4C/6Y check & cleared of items falling due within the next 18 months.
- (iii) The offered MSN's 874 and 939 would also require a LOPA and Seat configuration change from a total 217 pax to the proposed 269 pax. 03 months lead time is required for the reconfiguration to 269 seats in two-class. This lead time will commence after signing LOI and payment of security of deposit.
- (iv) DAE confirms the most realistic aircraft delivery would be in March 2014, which does not comply with the mandatory RFP requirement of aircraft delivery in Jan 2014.
- (v) All Landing Gears are cleared until 2018.
- (vi) Both the offered aircrafts are to be delivered with engines fresh out of overhaul.
- (vii) Three months security deposit plus one month rent per aircraft to be provided before each aircraft delivery.

Considering the above findings, the Sub-Committee considered the offer of M/s DUBAI AEROSPACE ENTERPRISE as Non Responsive.

(b) M/s AIRBUS :

- (i) The A330-243 MSN 437 & MSN 451, both the aircraft owned by M/s AIRBUS.
- (ii) MSN 437 would be delivered during First Quarter 2014, while MSN 451 would be delivered during Second Quarter 2014, which do not comply with the RFP mandatory requirement of aircraft lease commencement mandatory by January 2014.
- (iii) Each aircraft would be delivered in 3-Class seating configuration 12F+42B+183Y =237 pax total, which also do not meet the requirement of 2 class configuration at aircraft delivery.
- (iv) LOPA change with revised reconfiguration of 281 seats would be within one (1) year following Aircraft Delivery.
- (v) A non-refundable commitment fee (US\$550,000 per aircraft) in cash in respect of each aircraft to be paid within 3 business days of signature of lease proposal.
- (vi) Commitment fee will become part of the Security deposit or will be reimbursed if the lease cannot be concluded between the parties for reason attributes to the lessor only.
- (vii) Security deposit of US\$ 1,100,000 per aircraft to be deposited in respect of each aircraft in 3 instalments.
- (viii) Aircraft will be delivered without pallets.

Considering the above findings, the Sub-Committee considered the offer of M/s AIRBUS as Non Responsive.

(c) M/s ATLAS :

- (i) The ownership of MSN 28521 & MSN 28522 still remains with SIA, however ATLAS submitted a Mandate from SIA, allowing them to participate in the RFP.
- (ii) Both the offered MSN 28521 & MSN 28522 having seat capacity of 323 (30C + 293Y) Seats in two class.
- (iii) The current Operator Singapore Airlines shall provide any other information relevant to these two aircraft once ATLAS confirms its intent to acquire these aircraft from SIA.
- (iv) Availability of the offered MSN 28521 & MSN 28522 shall only be from 2014 onwards, and not confirmed for January 2014, which is not in line with the RFP requirement of the delivery schedule.
- (v) For MSN 28521 – Landing Gear overhaul due in 2019, while for MSN 28522 – Left Main L/G overhaul would be due in February 2014, which shall be overhauled at Lessor's cost. ATLAS did not respond to Biman's query on the overhaul of L/G prior to aircraft delivery to Biman.
- (vi) HARD TIME items on Singapore Airlines approved maintenance program are C. CONDITION, but without documentation this cannot be ascertained, therefore the sub-committee considered this requirement as not complied.
- (vii) 2 X Rolls Royce RB211-Trent 884 - Engines conditions will meet negotiated sale/ lease requirements. However, Engine status at delivery cannot be ascertained, as such considered as not complied.
- (viii) ATLAS did not respond to Biman query on Galley facilities.
- (ix) ATLAS did not respond to Biman query on the RFP mandatory requirement that Heavy maintenance on Aircraft will not fall due during 1st year, which was not clearly mentioned in the offer. The other documents submitted were updated as of January 2013 and the next maintenance check due were not defined, as such the mandatory requirement was not fulfilled by the bidder.

Considering the above findings, the Sub-Committee considered the offer of M/s ATLAS as Non Responsive.

05. The above matter was placed before the meeting of Board Committee on Procurement of Aircraft, held on 15 November 2013. The Board Committee discussed and agreed with the findings and recommended to place it before the meeting of Board of Directors.
06. Submitted for kind discussion and decision of the Board of Directors.
07. **Discussion:**
- 7.1. The meeting was informed that in response to Biman's RFP dated 15th September 2013, total 08 offers had been received from 06 bidders. In evaluation, none of the offers was found responsive as to meet the mandatory terms & conditions of the RFP schedule. The evaluation report was reviewed in the meeting of the Board Committee on Procurement of Aircraft headed by AVM Abu Esrar, Director Biman Board. The Board Committee concurred with the findings and recommendations of the evaluation committee.
- 7.2. It came up in the discussion that action on dry lease of two 777-200ER aircraft from Egypt Air is on progress as mentioned under agenda-2(i). The meeting, therefore, opined to wait till finalization of the decision on procurement of two 777-200ER aircraft from Egypt Air with regard to floating of further RFP for taking dry lease of two aircraft with minimum 250 seats or above aircraft.

08. Decision:

After the discussion, **it was RESOLVED THAT -**

Further action on dry lease of two aircraft with minimum 250 seats or above be deferred till finalization of the decision for dry lease of two 777-200ER from Egypt Air.

AGENDA # 02 (iii) : Dry lease of 02 (two) Turbo-prop aircraft :

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

01. Pursuant to decision of the 107th meeting of the Biman Board of Directors held on 14 February 2013, Biman Bangladesh Airlines has been sourcing for 02 (two) Turbo-prop aircraft for its domestic and regional operations. In the stated meeting, Biman Board also decided that the lease period would be for 05 (five) years and initially operation and maintenance of the aircraft would be arranged through outsourcing. Accordingly, Biman floated 03 (three) RFP (Request for Proposal) for 05 (five) years Dry lease of 02 (two) Turbo-prop aircraft on 08 May 2013, 17 June 2013 and 04 August 2013. However, based on the technical and financial information, all of the received offers/proposals in response to those RFPs were declared as non-responsive by Biman's Techno-Financial Sub-Committee (TFSC).
02. The status of Dry leasing Turbo-prop aircraft was placed in the 117th meeting of Biman Board of Directors held on 03 October 2013. Pursuant to the decision of the Board, Biman forwarded an RFP Schedule No. DACPM/141/2013, dated 08 October 2013 directly to available e-mail addresses of approximately 111 aircraft suppliers/leasing companies, inclusive of all the leading aircraft manufactures and leasing companies, and invited proposal/offer for 05 (five) years Dry Lease of 02 (two) Turbo-prop aircraft. In response, a total of 06 (six) offers were received within the closing schedule on 23 October 2013. One offer was received after the closing schedule, which the TFSC could not consider for evaluation. Among the 06 (six) offers/proposal received on 23 October 2013, M/s Phoenix Aircraft Leasing intimated (on 12 November 2012) that their 02 (two) ATR72-500 were not available for leasing to Biman. Among the remaining 05 (five) offers, , subject to fulfillment of Biman's RFP requirements, only the offer of M/s Air Transport Leasing & Sales (ATLAS) for 02 (two) ATR72-500 aircraft was found as Responsive by the TFSC.
03. In response to the latest RFP for Turbo-prop aircraft, M/s ATLAS has offered for 02 (two) ATR72-500 aircraft (MSN 706 & MS 707), currently owned by Lufthansa of Germany. The aircraft were under schedule operation with Air Dolomiti, a subsidiary of Lufthansa, till 30 October 2013. Each aircraft is currently configured with 64 seats, which the Lessor has agreed to increase to 72/74 seats at their cost. The quoted monthly Dry lease rental is US\$ 145,000 (US Dollar One hundred forty-five thousand) per aircraft per month and the Maintenance Reserves rate is US\$ 611/Hour (considering 150Hour/300 cycles utilization per aircraft per month). As only one Bidder (ATLAS) is found as Technically Responsive, Comparative Financial Evaluation was not possible by the TFSC. However, based on Dry Lease Rental and Maintenance Reserves rates of ATR72-500 aircraft as quoted by ATLAS, the Variable Cost of the aircraft is calculated as US\$ 20.72/ASK (Available Seat Kilometer) and the Total Cost is calculated as US\$ 31.70/ASK, at 70% Cabin Factor (considering 72 seats in each aircraft). **After reviewing the Technical and Financial data/information as provided by ATLAS, the TFSC recommended as follows:**