

# **Biman Bangladesh Airlines Limited**

Registered Office: Balaka, Kurmitola, Dhaka-1229

## **Minutes of the 120<sup>th</sup> Meeting of the Board of Directors held on 28<sup>th</sup> November 2013**

The 120<sup>th</sup> Meeting of the Board of Directors of Biman Bangladesh Airlines Limited was held on 28<sup>th</sup> November 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. 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:



**AGENDA # 01****Confirmation of the Minutes of 119<sup>th</sup> Meeting of the Board held on 16<sup>th</sup> November 2013:**

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

In reply to queries on PRA system of Mercator as recorded in the discussion during confirmation of the minutes of 118<sup>th</sup> Meeting, following information were intimated to the Board:

1. What would be the cost involvement in implementation of new system i.e. PRA system from Mercator?

As per report on selection of vendors for PRA system attached with the working paper under Agenda-4 of 118<sup>th</sup> Meeting of the Board, total projected cost for five years would be USD 933,399.73 including non-recurring cost of USD 168,750.00 in implementation of PRA system from Mercator. Biman Board in 118<sup>th</sup> Meeting held on 6<sup>th</sup> November 2013 approved procurement of PRA system offered by Mercator.

2. How many days it will take to install the software?

04 to 06 months will be required for installation of the software for new PRA system.

3. How many people will require to be trained up for the system?

Initially 10 officials (approx.) of Revenue Department to be trained up as TOT (Training of Trainers) under the agreement with Mercator, who will subsequently impart training to other officials of Revenue Department on the new PRA system.

4. When the system shall be introduced/implemented?

Expected to be implemented by May/June 2014.

Being informed of the status on implementation of the decisions, the meeting confirmed the minutes of 119<sup>th</sup> Meeting of the Board of Directors.

**AGENDA # 02****Five years dry lease of two 777-200ER aircraft from Egypt Air:**

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

01. Pursuant to the recommendation of the Board Committee on Procurement of Aircraft, Biman Board of Directors in its 116<sup>th</sup> meeting held on 03<sup>rd</sup> September 2013 decided to float RFP for five years dry lease of two B777-200ER aircraft. Accordingly, RFP was floated on 11 September 2013 and 04 offers were received on the closing day of RFP on 03 October 2013. A brief on the offers so received is mentioned below:



Sl.	Bidder	Type of Aircraft	MSN	Seat Capacity	YOM	Monthly Lease Rent US\$
01.	Egypt Air Holding Company	(02) 777-200ER	32629 32630	319 (12F+21B+286Y)	2001 2001	\$625,000
02.	Euro Atlantic Airways	777-200ER	28513	323 (30C + 293Y)	21 May 1993	\$605,000
03.	Standard Chartered	777-200ER 777-200ER	28529 28532	323 (30C+293Y) 285 (30C+255Y)	28 Feb' 2002 21 Jan' 2002	\$ 675,000 \$ 675,000
04.	Jessco Aviation Ltd (Steel Aviation Inc. USA)	777-200ER 777-200ER	26926 26927	376 two class 378 two class	27 Apr' 1998 13 Nov' 1997	\$1,625,000 \$1,550,000

02. In evaluation of offers by Biman's Techno Financial Sub-committee (TFSC), the offer of Egypt Air Holding Company was found responsive. The Board Committee on Procurement of Aircraft headed by Air Vice Marshal Abu Esrar, Director Biman Board, in its meeting held on 24 October 2013 recommended to carry out physical inspection of two 777-200ER aircraft offered by Egypt Air (Annex-A of the working paper) Biman Board of Directors in its 118<sup>th</sup> meeting held on 06 November 2013 accorded post-facto approval for sending a team to Cairo for physical inspection of the aircraft.

03. A team comprising of Biman and CAAB officials headed by Director Flight Operations inspected two 777-200ER aircraft (MSN 32629; SU-GBX and MSN 32630; SU-GBY) and its documents from 9<sup>th</sup> to 14<sup>th</sup> November 2013. As mentioned in the inspection report, EGYPTAIR Holding Company is the owner and EGYPTAIR Airlines Company is the operator or legal holder of the offered. Findings and recommendations laid down in the inspection report are mentioned below:

#### 4.1. Findings of the Inspection Report

Based on the relevant documents provided by Egypt Air Maintenance & Engineering and physical inspection of both the 777-200ER (MSN: 32629, Reg: SU-GBX and MSN: 32630, Reg: SU-GBY) aircraft-the Inspection team has some findings and observations points noted below for acceptance and delivery team. The acceptance and delivery team before delivery of both the aircraft must check, verify and confirm availability of all relevant documents, compliance of all findings and fulfill the requirements of final dry lease agreement between Biman and Egypt Air. Following are to be checked for proper condition, correctness and operation at the time of delivery of both the aircraft:

- a. Cabin: All First Class and Business Class seats electrical operation, IFE, call and reading LT. Reclining system of Economy Class seats and meal table condition, Overhead bin for cleaning & painting as required, All toilet interior to be cleaned & painted as required including toilet bowls, All galley water (hot/cold) to be checked, Seat covers and carpet as required washing / deep cleaning, Life jackets & First aid box validity must remain one (01) year from delivery date;
- b. Exterior: Fuselage rivet heads are visible at many places, thorough sanding & paintings required as per agreement, All Nose & Main landing gear wheel well thorough cleaning & painting required, Cleaning required inside the Fan & reverser cowl of both engines, Repair and dent chart to be reviewed for class of repair & SRM references, Oil seepage / traces of oil observed inside no. 01 engine reverse cowl of SU-GBY aircraft;
- c. Wheels and Brakes: Wheels and Brakes part numbers are different than Biman 777-300ER aircraft, required spares and tools for build-up in-house;



- d. All hard time component remaining life as per Egypt air offer to be verified, Engine & APU LLP to be verified as per Egypt air offer for remaining life, All EBU / LRU installed on both engines of both aircraft to be verified for remaining life at delivery according to utilization, AD compliance requirement, All Records to be checked per planning requirement, LLP status of APU s/n-P1444/SU-GBY, Shop reports of all engines and APU, On wing EGT margin and latest LLP life remaining of all fitted engine of both aircraft, landing gear ship set latest status and last shop visit report, *Pax Oxygen life remaining to be verified & approx 340 Oxygen generator replacement will be due within 02 years of aircraft delivery.*
- e. Avionics component serviceability to be verified, Copy of all approval of Regulatory Authority on applicable Avionic system, Supplementary Type Certificate (STC), data sheet as required by I&QA & CAAB to be verified at the time of both 777-200ER aircraft delivery.
- f. BFCC: Meal carts fitted in both the offered Egypt Air dry lease Aircraft are of Jameco-Singapore Brand. Egypt Air has agreed to provide two ship set galley equipment per each aircraft through an e-mail (copy attached). For LHR & FCO station operation 02 (Two) more ship sets will be required. *Required Branded Galley equipment and Insert (full meal cart oven rack insert and baby bassinet) need to be procured at Biman's own cost for smooth operation of LHR & FCO;*
- g. Egypt Air authority verbally conveyed that they would deliver the mentioned two 777-200ER aircraft within 20 days from the date of signing final dry lease agreement with Biman upon accomplishment of "C" check;
- h. Both the 777-200ER aircraft are equipped with cockpit and cabin crew bunk. The cabin crew bunk is installed in the cargo hold. Egypt Air authority verbally conveyed that they could deliver both the 777-200ER aircraft removing the cabin crew bunk within the period of delivery check mentioned above, if required;
- i. Both the 777-200ER aircraft will be delivered with marathon white at the cost of Lessor. Aircraft may be painted with Biman livery as same will remain with Biman for a longer period of time;
- j. Both the aircraft are capable to operate no-stop direct flight between Dhaka and London without any load penalty. It has also been verified by the office of Chief of Technical of Biman;
- k. Egypt Air expressed their eagerness in cooperating Biman regarding maintenance of aircraft, spares pooling and training of crews, ground engineers and operations staff by concluding separate agreements;
- l. Egypt Air authority verbally confirmed to lease the mentioned aircraft to Biman for a period of 05 (five) years on dry lease basis;

#### 4.2. Recommendations of the Inspection Report

- a. Biman inspection team has carried out physical inspection on both Egypt Air offered Boeing 777-200ER aircraft (MSN: 32629 & 32630) including its Engine, Auxiliary Power Unit (APU) & Landing Gear. Subsequently aircraft original certificates / documents onboard of both the aircraft including manufacturer & owner name plate and original maintenance record/documents, aircraft delivery documents kept in the Egypt Air record section were verified. Biman inspection team has conducted several meetings with engineering



management of Egypt Air to clarify different queries of team members. Inspection team has also sat together including representative of CAAB for their own discussion & decision.

After a thorough inspection of aircraft, airworthiness documents, ongoing flight performance, the inspection team found the submitted documents comply with the original documents and the team unanimously agreed and recommend that the two 777-200ER (MSN: 32629, Reg: SU-GBX and MSN: 32630, Reg: SU-GBY) aircraft are found satisfactory for Dry Lease.

- b. At the time of "Delivery C-Check" and acceptance of the Egypt Air Boeing 777-200ER aircraft (MSN32629 & MSN 32630) the delivery & acceptance team will require to verify proper rectification of all the above mentioned findings & observations.
- c. Aircraft Maintenance program of Egypt Air is different from Biman Aircraft Maintenance program. So Bridge-In inspection shall have to be carried out for converting the same to Biman Maintenance Program;
- d. Considering the present Biman Engineering facilities and to ensure smooth Operational Maintenance of the subject dry lease aircraft from the day one of induction, Inspection team recommended to settle the following issues with Egypt Air Holding Company during the negotiation period:
  - i. Initial Maintenance (Line & Base) support at Dhaka by Egypt Airlines Company.
  - ii. Spare parts support at Dhaka base for all rotatable & consumables required for two leased Boeing 777-200ER aircraft during dry lease period;
  - iii. Loan of Tools & Test Equipment as and when required during the lease period;
  - iv. Engineer's training on P&W4090 engine with Ground Run and Boroscope Inspection;
  - v. Spare P&W4090 Engine & Auxiliary Power Unit (APU) support from Egypt Air may be arranged on loan/lease basis for two offered dry leased Boeing 777-200ER aircraft;
  - vi. Aircraft Nose/Main wheels & its change kits (tools) are completely different Part number than Biman 777-300ER aircraft. So, Inspection team recommends to arranging from Egypt Air Airlines Company to use from the day of induction;
  - vii. Pax Oxygen life remaining to be verified & approx. 340 Oxygen Generator replacement will be due within 02 years of delivery of both the aircraft;
- e. BFCC Meal carts fitted in both the offered Egypt Air dry lease aircraft are of Jameco-Singapore Brand. Egypt Air has agreed to provide two ship set galley equipment per aircraft through an e-mail. For LHR & FCO station operation 02 (Two) more ship sets will be required. Required Branded Galley equipment and Insert (full meal cart, oven rack/insert and baby bassinet) need to be procured at Biman's own cost for smooth operation of LHR & FCO;
- f. LLCR (Lower Lobe Crew Rest) for 06 (six) Cabin crew rest area at lower deck forward of AFT cargo may be removed to accommodate more cargo container in aft cargo compartment.
- g. total number of passenger seats on both the 777-200ER aircraft is 319 in three class configurations (12 First class, 21 Business class and 286 Economy class). Both the aircraft may be reconfigured into two classes (Business and Economy) as the existing fleet of Biman is under same configurations;



h. Aircraft should be delivered to Biman with existing livery of Biman.

05. Board Committee on Procurement of Aircraft in its meeting on 23 November 2013 reviewed the inspection report including the findings and recommendations thereto. The meeting of the Board Committee considered that both 777-200ER aircraft of Egypt Air are acceptable for dry lease from technical point of view. The Board Committee also opined that the recommendations at para-4.2 (d) to be discussed in the Board Meeting. Financial analysis was carried out on following routes initially taking into consideration of 85% Cabin Factor with 2 X 777-200ER aircraft based on last year's yield rate:

DAC-ROM-DAC, DAC-MCT-DAC, DAC-CGP-MCT-CGP-DAC, DAC-CGP-AUH-CGP-DAC,  
DAC-CGP-DXB-CGP-DAC, DAC-DXB-CGP-DAC.

The meeting of the Board Committee reviewed the financial analysis and considered the following parameters to recast the financial analysis in operation of two 777-200ER aircraft:

- 80% Cabin Factor to be taken into consideration as Biman's system-wide Cabin Factor was 70% last year.
- Transportation of cargo (belly cargo) to be accounted for in financial analysis as there is increasing demand for cargo.
- Current yield rate to be considered in financial analysis, which is more likely to increase due to implementation of new Revenue Management System and marketing program.
- Mainly point to point operation to be scheduled including 'W' pattern operation via Chittagong which will reduce operating cost.
- Also carry out comparative financial analysis on DC10-30 and 767-300ER (ACMD) operation.

The Board Committee advised to recast the financial analysis accordingly and place the same before the meeting of the Board of Directors.

06. In consideration of the parameters as above, financial analysis will be placed before the Board Meeting separately. It may be mentioned that induction of proposed two 777-200ER aircraft will pave the way of interim fleet solution of Biman virtually as capacity replacement of Biman's two DC10-30s being completely phased out by December 2013. Moreover, operation of two 777-200ER (MSN 32629 and 32630) from Egypt Air under five years' dry lease from day one of induction may be advantageous in terms of initial maintenance support (line and base), spare-parts & tooling arrangement, engineers training, arrangement of fast moving items etc. under separate agreement with Egypt Air as mentioned at para-4.2(d), which may also be considered by the Board.
07. Submitted for kind discussion and approval of the Board of Directors regarding five years' dry lease of two 777-200ER (MSN 32629, 32630) from Egypt Air subject to review of financial analysis being placed in the meeting.

08. **Discussion:**

- 8.1. Managing Director & CEO informed that as per inspection report, two 777-200ER (MSN 32629 & 32630) aircraft of Egypt Air were found satisfactory for dry lease. The inspection team also recommended to settle some issues mentioned at para- 4.2 (d) during negotiation with Egypt Air for arrangement of operation and maintenance of two 777-200ER immediately after induction on dry lease.



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- 8.2. Mr. A.S.M. Monjur Emam, Controller of Accounts & Director Finance (Actg) presented financial analysis of two 777-200ER offered by Egypt Air and distributed among the Directors of the Board as an attachment of the subject working paper. The financial analysis has been done on the routes to Muscat, Kuwait, Dubai, Abu Dhabi, Doha via Chittagong and some direct flights including Singapore, Kuala Lumpur. It was observed that in spite of 80% cabin factor having considered with current yield rate and transportation of cargo, total Marginal Contribution has been found negative of USD 1,61,334.00, out of total operation in one month on different routes viz:

Routes	Positive Marginal Contribution	Routes	Negative Marginal Contribution (USD)
CGP-MCT-CGP	USD 73,061	DAC-KWI-DAC	(USD 2,84,604)
CGP-DXB-CGP	USD 10,225	CGP-KWI-CGP	(USD 8,036)
DAC-DXB-ZYL-DAC	USD 38,171	DAC-DXB-DAC	(USD 35,596)
DAC-DOH-CGP-DAC	USD 14,382	DAC-DOH-DAC	(USD 11,093)
CGP-DOH-CGP	USD 58,778	DAC-CGP-AUH-CGP	(USD 82,196)
DAC-SIN-DAC	USD 1,21,575	DAC-AUH-DAC	(USD 48,627)
		DAC-KUL-DAC	(USD 7,374)

In a comparative statement of profitability analysis for 777-200ER, DC10-30 and 767-300ER operation, it was also observed that the loss in Marginal Contribution of 777-200ER is much lower than DC10-30 and 767-300ER as mentioned below:

- 777-200ER : Negative Marginal Contribution (Total USD 161,334/ Per Hour USD 206)
- DC10-30 : Negative Marginal Contribution ( Total USD 1,387,261 Per Hour USD 1,769)
- 767-300ER : Negative Marginal Contribution (Total USD 1,341,439/ Per Hour USD 1,711)

- 8.3. It came up in the discussion that leasing new type of aircraft in Piman fleet with negative marginal contribution will add on Biman's financial loss. Kevin John Steele, Managing Director & CEO mentioned that increase of fleet and operation will reduce fixed cost and overhead per flight/aircraft. He also mentioned that implementation of new Revenue Management (RM) and Revenue Integrity (RI) systems now on progress, will increase passenger yield and decrease GDS cost and that "W" pattern operation to some Middle East routes via Chittagong will reduce operating cost to some extent. Moreover, Biman will negotiate with Egypt Air to reduce monthly lease and maintenance reserves for their offered two 777-200ER and it is expected to achieve a better result which will improve marginal contribution towards positive he added. Managing Director & CEO further mentioned that one of two DC10-30s already grounded permanently on 10<sup>th</sup> November 2013 and another one will be phased out by December 2013. As such Biman must replace capacity of two DC10-30s immediately, otherwise there will be an acute capacity shortage and result in serious dislocation of normal flight schedule regularity.
- 8.4. The Board appreciated the extreme necessity of leasing at least two wide-bodied aircraft to supplement the capacity of two DC10-30s to sustain the existing operation and maintain normal flight schedule regularity. The Board observed that loss in operation of DC10-30 and 767-300ER is much higher than 777-200ER. In reply to a query of the Board, Managing Director & CEO mentioned that the performance of A330-200/300 aircraft appears to be better than 777-200ER aircraft. However, A330 aircraft is completely a new type in Biman fleet and operation of A330 will require huge investment in spare-parts inventory, conversion training of cockpit crew and type rating of ground engineers for maintenance along with long lead time for maintenance training. On the other hand, 777-200ER from the view point of fleet commonality in Biman already having 777-300ER for medium-haul and long-haul operation, would be a suitable replacement of DC10-30 aircraft from operation and maintenance point of view. The Board appreciated the views of Managing Director & CEO.



- 8.5. Air Vice Marshal Abu Esrar, Chairman of the Board Committee on Procurement of Aircraft opined to recast the financial analysis of 777-200ER taking into account of negotiated lease rent and maintenance reserves and other propositions as stated by Managing Director & CEO at para-8.4. The meeting also agreed with the opinion of AVM Esrar and finally reached consensus to invite Egypt Air delegation for negotiation of lease contract and financial terms & conditions of the dry lease offer of two 777-200ER aircraft; MSN 32629 & 32630.

09. **Decision:**

After a detailed discussion the meeting **RESOLVED THAT** –

- a. Egypt Air delegation will be invited immediately for negotiation of contract regarding five years' dry lease of two 777-200ER aircraft; MSN 32629 and 32630 and Biman team will make efforts for reduction of monthly lease rent and maintenance reserves.
- b. Based on negotiated lease rent and maintenance reserves, financial analysis on dry lease of two 777-200ER to be recast and presented before the Board of Directors' Meeting along with outcome of negotiation for final approval.
- c. During negotiation with Egypt Air delegation, issues mentioned at Para-4.2(d) as per recommendation of Biman inspection team pertaining to operation and maintenance of 777-200ER aircraft immediately after induction may be discussed and resolved as would be deemed appropriate.
- d. Action may be taken before finalization and confirmation of the minutes of the meeting.

**AGENDA # 03**

**20% Dearness Allowance against Basic Salary of Biman Employees :**

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

01. The Government has issued a notification of granting 20% Dearness Allowance against Basic Salaries vide notification no. 07.00.0000.161.07.00.000.13-229, Dated 07-10-2013. This notification has been issued by the Ministry of Finance, which would come into effect from 01 July of 2013. All workers and officers employed in public, semi-public and autonomous institutions as well as state-owned banks, including investment firms, will be eligible to enjoy the Dearness Allowance (DA). This DA will also be eligible on an interim basis for members of the armed forces. Amount of the DA, however, has to stay between Tk.1,500 and Tk.6,000.
02. The Government has taken the following decision to implement the Dearness Allowance (DA):
  - a) The employees under Post Retirement Leave (PRL) will get the same rate of DA based on their last Basic before going to PRL;
  - b) The employees, who have retired with effect from 01 July 2013 or will be retired before implementing of next New National Pay Scale, will get pension amount adding this DA;
  - c) The employees under suspension will get 20% DA on their 50% of Basic salary just before the date of suspension.
  - d) The pension holder will get 20% DA on the pension able amount;