R/GH7 International, 6 January 1979 5

The interlease phenomenon

BOEING'S second 767 customer oper-
ates from a compact eight-floor office
suite with a total staff of five. No reser-
vations offices, no hangars, no visible
fleet. It has been operating for just
five years, but (reports Bill Sweetman from Beverly Hills) is already an in-creasingly powerful force in the mar-ket for used and new airliners.
International Lease Finance Cor-poration* (Interlease for short) calls itself a "buyer/lessor of jet trans-ports," and a simple description is difficult. Interlease is more than a broker, and in some senses less. In certain aspects it is more than a finance institution. It is independent, being totally owned by its three part-ners: Leslie and Lou Gonda (father and son) and Steven Hazy.
Steven Hazy explains the relation-ship between Interlease and the banks and specialist finance corporations. "We don't mind having the banks and finance corporations as competitors, because we can compete with our special expertise." The Interlease

Pan Am attacks

bid for National
EASTERN Air Lines' bid for National Airlines (see Flight for December 23, page 2241) has drawn hostile com-ment from Pan American, which had already agreed terms with National. Pan Am accuses Eastern of using its bid as a "procedural ploy" to frustrate a Pan Am/National merger. Eastern has offered $50 for each National share, a big increase on Pan Am's $41-per-share bid. In a submission to the Civil Aeronautics Board, which is considering bids for National from Pan Am and Texas International Air-lines, Pan Am states that Eastern does not have the financial resources to make a serious bid and notes that existing loans to Eastern carry terms

partners will prepare route studies and fleet plans, in the same way as manufacturers will carry out route studies for their customers, and will advise on any aspect of the commer-cial operation. "It's not like a cold banker-to-client relationship."
The manufacturers have the same airline expertise as Interlease, but as Leslie Gonda points out "they are reluctant to get involved in financing and leasing because of the tremendous amount of money they have to put into research and development. They don't want to take paper in return for air-craft." Airbus Industrie is the excep-tion which proves the rule, comments Hazy. "We are probably not involved in Airbus because the Government finance package is so attractive." Interlease exploits this gap between the manufacturers and the finance specialists. Gonda and Hazy stress the importance of a small partnership: the salesman at the airline's door is the maker of corporate strategy. "Being a closely held company, we

Eastern

which would prevent it from raising the necessary $400 million. Pan Am says that even if Eastern does obtain additional finance, the airline would find it hard to pay back loans raised to pay for a National acquisition and at the same time meet debt commit-ments on new aircraft.

Pan Am accuses Eastern of delaying tactics designed to put back a decision on existing National merger bids to late 1979, and asks the CAB to ignore the new bid. If it is included in cur-rent merger hearings, more airlines could step in with their own bids, so delaying the process further. Pan Am says that Eastern has "no legal right" to be included in, the hearings.

don't have to make a killing every time," explains Hazy. "If the airline can't make a fair profit it's not a good long-term deal for us. This is why it's essential to take a close interest in the airline operation."
Interlease's relationship with Los Angeles-based Western Airlines illus-trates its methods. Hazy admits that Interlease has tried to monopolise the used 737 market, a major section of which has been accounted for by Western over the past few years. Western's problem initially was that it had a few saleable 737s and rather more 720Bs, which were a less attrac-tive proposition. Interlease secured the 737s by agreeing to take on two 720Bs with every 737. Only now has Interlease got a Western 737 without a 720B, but Western has taken a 1979 727—a precious commodity—-in return. Another aspect of Interlease's busi-ness is its ability to reserve delivery positions well in advance, for resale shortly before delivery. "Western and PSA don't need our finance," remarks Hazy, "they need our delivery posi-tions."
Interlease has been ordering new aircraft since June 1976, all from Boeing so far. Leslie Gonda is not quite sure why the company's relation-ship with Boeing is closer than that with its near neighbours McDonnell Douglas, A possible explanation is that McDonnell Douglas' own finance cor-poration parallels to an extent Inter-lease activities. "Boeing considers that we can be useful," Gonda comments. The company now has a letter of intent with Boeing for ten 767s. Deliveries will take place between the summer of 1983 and late 1984. The company intends to lease these outside the USA, "primarily in Europe and the Far East," says Hazy, although he concedes that the A300/A310 family is already well established.
Expansion plans could include 747s and 757s: Hazy hopes to be able to pick up a 1980 747 despite the packed order book. The company is also work-ing on a DC-10 deal, which would be its first involving a McDonnell Doug-las product. But, Hazy points out, Interlease doesn't have to show growth to its shareholders every year, and he is cautious about the current boom. With counter-inflation policies coming up in the USA, he believes "the growth could go flat just as deliveries start," a scenario reminis-cent of the early 1970s. "People for-get so fast."
With firm orders for eight airliners and $400 million worth of 767s covered by letters of intent, Interlease has a solid base for expansion. "By adding a few more people we could double what we do," comments Hazy, but Interlease will play safe, "We might take on an in-house legal man and an in-house accountant."
"Telex: 691400 Interlease BVHL.

Seen in its definitive colour scheme is the first completely refurbished One-Eleven for British Island Airways. One of three ex-Gulf Air aircraft, it was handed over to BIA just before Christmas at British Aerospace Hum. BIA has been operating a partly refurbished aircraft in a temporary colour scheme to meet existing commitments (see Flight for December 2, page 1998). Bought for a total of £6 million {including refurbishment), the One-Elevens will be used solely for inclusive tours (Flight photograph)