What is ACMI leasing?

ACMI is something everyone who deals with airline business, has come across at some point or another. It is a form of aircraft leasing. It helps airlines in distress but is also the most expensive and least cost effective form of financing an airline operation. In this post I will explain what ACMI is, go over the four main pillars of ACMI and take a look at when ACMI is a good solution for airlines.

ACMI is an acronym that stands for the words Aircraft, Crew, Maintenance, Insurance, which are the four pillars which are being "leased" by an operator from another operator. There may be some variations to the ACMI formula, but in general the lessee receives a "full meal deal" – an aircraft that is ready to fly almost immediately after the lease contract has been signed.

What is ACMI leasing?

ACMI is a wet lease option which, in my opinion, is rather a purchase of a service than an actual lease. The lessee signs an ACMI lease contract for an aircraft or a fleet of aircraft, which are being operated by their current operator, albeit under the lessees AOC. I guess this paragraph may be confusing, so I'll try to make it simpler:

In an ACMI lease you hire an aircraft which is ready to fly on your routes. You sell the tickets, you brand the flight (in flight magazines, food on board, etc.) and that's it. The company from which you lease the aircraft needs to do the rest. "The rest" in this case means anything from flight planning and crew rostering to ensuring proper maintenance is being performed.

ACMI customers don't have to worry about anything other than sales – after all, they have to pay for ACMI.

The Four Pillars of ACMI

As already mentioned, ACMI stands for Aircraft, Crew, Maintenance and Insurance. Let's take a brief look at those four pillars of ACMI leasing:

Aircraft – obviously, any form of leasing requires an aircraft. However, in an ACMI formula the lessor needs to ensure everything that is required for the aircraft to be airworthy and fit for the operations it is going to perform. In particular, the aircraft needs to have a current C of A and ARC and all maintenance performed to the current requirements. In other words – the lessor must ensure that the aircraft is perfectly airworthy. Also, in some cases and for prolonged ACMI contracts, the lessee may ask for the aircraft to be branded to the lessees liking. This is normally done by temporary stickers and this is also the reason why a lot of ACMI providers operate all-white aircraft. It makes branding easier.

Crew – the aircraft is leased together with sufficient flight and cabin crew. This means that the lessee does not need to employ nor train their own personnel. Rather, all crew is coming from the lessor who needs to ensure that they meet all the current flight ops regulations. As much as this is not a big issue for the flight crew (pilots) it poses some problems with respect to cabin crew. As an ACMI lease is often international, it would be nice for the cabin crew to speak the local language, for example. For this reason, some operators choose a mix of cabin crew and provide some of their own personnel into an otherwise ACMI aircraft. Crew management may also become an issue, as in most cases the crew needs to be flown in from their original employment country, will require appropriate per-diems and tickets back home ever so often.

Maintenance – in an ACMI lease, the lessor is responsible for ensuring that proper aircraft maintenance is performed at all times. This means that the lessor needs to have signed contracts with line maintenance providers at airports to which the aircraft will operate during the duration of the lease. Sometimes, if the lessee has its own maintenance facility, the lessor may use that facility, but the costs will be reimbursed in one way or another.

Insurance – as self-explanatory as this may be, under an ACMI lease the lessor is responsible for all insurance issues. This includes 3rd party liability insurance for the aircraft as well as appropriate insurance for the crew.

The Benefits of ACMI

ACMI is a perfect emergency plan for airlines which have only a small fleet and have no backup aircraft available. For such airlines, it is wise to have generic ACMI contracts signed with more than one ACMI operator. Basically, if an aircraft goes AOG (for example gets damaged by a food truck at an airport) and becomes unserviceable for a few days or even weeks, an ACMI contract can be engaged almost immediately. The ACMI operator will provide a ready to fly aircraft and resume operations, which normally would have to be cancelled.

The most important benefit of ACMI, in this case, is the very short time in which such lease operations can be started. For any other kinds of aircraft leasing, the formalities associated with the lease take a long time and require numerous approvals or other formal actions. During such time, the airline would lose an enormous amount of money due to cancelled flights.

Another excellent use of ACMI is for so-called virtual operators. These are usually holiday charter companies which want to focus on the sale of tickets and don't want to run the risk of running an airline. Some people may argue that this is not a typical ACMI operation (in a typical ACMI operation both companies need to have an AOC which a virtual operator does not have) but in my opinion this is the same thing. The only difference is that this can only be done in countries with an "open sky" agreement – this is not an issue between European member state countries.

A third interesting option of using the ACMI formula is to optimize fleet availability during high and low operating seasons. Imagine a European holiday charter operator whose peak season is in the European summer time (May until September) and whose low season falls in the remaining months. This operator may have the need to park some of their fleet during the winter, as there will not be enough demand for flights. But if that operator had a partner airline somewhere in South America, for example, where the times of year are in exact opposition to the European ones, both airlines could take advantage of the ACMI formula for their mutual benefit. Not only the aircraft, but also the crew could be kept busy throughout the entire year and ACMI make it easy.

So what about the ACMI drawbacks?

There is really only one major drawback – cost. ACMI is probably the most expensive way to get an aircraft. In fact, in a way, it resembles hiring a private jet although in this case the private jet is a Boeing 737 carrying 180 – rather than 18 – passengers. This has to be expensive.

The ACMI operator needs to cover full costs of operating the aircraft and add the overheads for things like crew travel, accommodation, and – especially – business uncertainty. A typical ACMI operator may have their aircraft hired for a week or for 6 months. They will never know, as they are a form of "aircraft rental" agency. Also, ACMI operators know that most of the time their customers are really hard pressed for an aircraft and will accept a high price because the losses they suffer from cancelled flights are even greater.

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