



ILFC Head Sees Potential For Sale, Eyes Narrowbody Aircraft

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NEW YORK (Dow Jones)--The head of the aircraft-leasing arm of American International Group Inc. (AIG) said Tuesday the financial services group could make another effort to sell the business, having narrowly avoided a "fire sale" to help address its debt problems.

Doug Steenland, chairman of International Lease Finance Corp., said AIG is under no pressure to sell, but noted both companies have stabilized after ILFC returned to the capital markets and its parent mapped out a plan to wean itself from U.S. government support.

"ILFC's now going to be self-financing going forward," said Steenland in an interview on the sidelines of an aviation conference in New York. "From AIG's perspective, there could come a point in time when it makes sense to monetize the asset...largely because they'll be well compensated for it."

AIG launched a protracted effort in 2008 to sell or break up ILFC, the world's second-largest aircraft leasing company with assets of around \$40 billion and a fleet of more than 1,000 planes. The process was halted last year after what were seen as low-ball bids from a number of private equity consortia.

"Two or three years ago, AIG was in a position where they were in essence going to have to fire-sale the asset, but they weathered that storm and they are now in a position where they can be patient and hold onto it if they want," said Steenland.

Steenland, a former chairman and chief executive officer of Northwest Airlines, said ILFC was also eyeing its order book and may look at rebalancing it toward more narrowbody planes because of "modest" existing commitments in this segment.

Larger rival Gecas, a unit of General Electric Co. (GE), has said it plans to address a relative lack of widebody planes in its order book.

Gecas and ILFC lead a number of medium-sized rivals with between 100 and 200 planes, as well as a raft of new entrants including Air Lease Corp., a company set up by ILFC founder and former CEO Steve Udvar-Hazy and a number of the company's senior executives.

Steenland said ILFC's current management team is there to stay, but questioned whether the demand was there after a recent slew of orders placed by new leasing companies, most of them funded by private equity and institutional funds.

Leasing companies--including Gecas--accounted for the bulk of orders at this year's Farnborough air show, and contributed to the decision by Airbus and Boeing Co. (BA) to boost production rates.

"I think there's room for some additional capacity. I think whether the industry can absorb all of the airplanes that Airbus and Boeing have said they're going to produce over the next few years... is a very open question," said Steenland.

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