

General Comparative Analysis of Financial Solutions

For the Philippine Coast Guard, a 7-helicopter project pursuing different funding modes, This analysis shows the different financial options for the Coast Guard and gives a general comparison about the strengths and shortages standing.

No.	ITEM	ODA	LEASING	EXPORT CREDIT	BEST
1	Payment Options	100% loan thru ODA/soft loan	Monthly or annual payment from buyer's self budget	85% loan thru ECA	ODA
2	Prepayment	No prepayment	Several months deposit may be required depending on the contract term.	15% self fund	ODA
3	Regular payment	Usually each 6 month	Usually monthly payment, payment amount largely depends on the duration of leasing	Negotiable	ODA
4	Interest	around 2% fixed rate	No direct interest, the interest cost will be managed into the monthly payment assumed by buyer eventually.	Negotiated rate	ODA
5	Duration	up to 20 years payment period with 5 years grace period	Customized duration, where the total payment amount, and the leasing duration largely impact the rate.	10-20 years, negotiable	ODA
6	Helicopter Configuration & Customization	Fully customized according to buyer's various mission requirement, additional modification available directly from OEM.	Customization may be limited on the availability of the leasing company, helicopter may be used before delivery.	Fully customized according to buyer's various mission requirement, additional modification available from OEM.	ODA & EC

7	Training	Customized pilot and crew training will be available directly from OEM, which will help to build a competent operation capability for the buyer.	Training available in dry lease depending on contract terms, while wet lease don't have any pilot or crew training	Customized pilot and crew training will be available directly from OEM,, which will help to build a competent operation capability for the buyer.	ODA & EC
8	Maintenance	On-site technical support and Integrated Logistics from OEM available for years as required by buyer.	No maintenance support in wet leasing, dry leasing company may provide limited maintenance support.	On-site technical support and Integrated Logistics from OEM available for years as required by buyer.	ODA & EC
9	Operation Cost	Fuel, Ground handling, Navigation fee, Insurance, pilot and crew salary handled by buyer	Buyer should handle the operation cost in dry lease arrangement, while wet leasing company will handle the crew salary, fuel, insurance, etc, which required a extra payment from the lessee.	Fuel, Ground handling, Navigation fee, Insurance, pilot and crew salary handled by buyer	ODA & EC

It is noticed that the service life of a helicopter will be beyond 20 years, so in the leasing arrangement, the helicopter will always in leasing company's possession and will be retrieved after the contract, when the buyer could have paid already the whole market value of this helicopter in several years.

Additionally, the mission capability of PCG might be limited in case of emergency situation such as disaster response due to the long coordination procedure since the helicopter is not in buyer's possession, neither the pilot and crew in the wet lease arrangement.

So the direct purchase is relatively a reasonable way to build up a stronger modernized air fleet for PCG in the next few years, especially the ODA offers the best terms in global market. There are several advantages in direct purchase arrangement supported by ODA:

1. Delivery of the helicopters and training of pilots and crew will largely enhance the air operation capability of PCG and could become a legacy in the decades to come.

2. Regular payment will be relatively lower, since it has been divided into long term payment, especially in ODA mode with the lowest rate on the market.
3. Helicopter will always in PCG's property, even after the loan payment period, which would ensure the promptness of emergency missions.
4. The ODA offers the best loan conditions on the market with the lowest interest and flexible and longest payment terms.