



## **STATE OF THE ART TRANSPORTATION AND AIR-TO-AIR REFUELLING FLEET FOR THE RAF- AIRTANKER APPROACHING THE CITY FOR FUNDING**

**Embargoed until 11.30am, 6 June 2007**

In a Statement to the House of Lords today, MOD Defence Equipment and Support Minister Lord Drayson announced that the Government had approved a Private Finance Initiative (PFI) solution as the most cost-effective means of replacing the RAF's fleet of VC-10 and Tristar aircraft. AirTanker and the MOD are therefore now working together towards financial and contractual close of the Future Strategic Tanker Aircraft (FSTA) PFI programme. AirTanker has today begun work on the Financing Competition to raise the requisite c. £2Bn capital requirement. The first stage is to alert the banking community to the main elements of the programme.

Commenting on Lord Drayson's Statement, AirTanker CEO Phill Blundell said:

"This is a huge step forward for a vital project.

We at AirTanker feel certain that the City will recognise the strength of the FSTA project. We are confident that the competition between potential lenders to win the business will secure the best deal for the armed forces, the taxpayer and AirTanker's shareholders. We are working very closely with our financial advisors at Deutsche Bank to secure that outcome.

We're delighted at the MOD's resolute support for AirTanker. We very much look forward to working with them in delivering the new service. We're especially proud that the programme will be supporting literally thousands of jobs and that the RAF will be flying the aircraft with the greatest proportion of British content of any modern new aeroplane – around 7,500 jobs will be directly or indirectly dependent on the FSTA project and our fleet will be 50% British built."

## Notes for Editors

- 1 The FSTA project is designed to modernise the RAF's vital air transport and air-to-air refuelling capability by replacing its existing fleet of VC-10 and TriStar aircraft, which have been in service for many decades. FSTA will be provided through a 27 year PFI contract, the World's largest PFI arrangement.
- 2 AirTanker was selected as Preferred Bidder to operate the service in 2005. It is a UK company dedicated exclusively to providing the FSTA service to the UK Ministry of Defence. AirTanker's shareholders are Cobham (13<sup>1/3</sup>%), EADS (40%), Rolls-Royce (20%), Thales UK (13<sup>1/3</sup>%) and VT Group (13<sup>1/3</sup>%). Together, they will produce the equipment and support it through life.
- 3 AirTanker's brand-new A330-200 aircraft and dedicated service delivery operation will provide the RAF with state-of-the-art capability in air transport and air-to-air refuelling. The AirTanker service will hugely enhance the reliability, and thus availability, of the aircraft at the RAF's disposal. And the A330s will be significantly more capable than the aircraft they replace. In the tanker role, the A330-200 provides twice as much fuel to receiver aircraft as the VC-10. And, without any reconfiguration, in air transportation mode the A330 can fly around 300 troops and 8 tonnes of their equipment some 4700 miles in a modern, comfortable, fully equipped passenger cabin.
- 4 The 14 aircraft fleet will be owned and supported by AirTanker. The RAF will have complete operational control, and will fly the military missions. AirTanker will be paid according to the extent of the RAF's use of the service.
- 5 AirTanker will be based at a new, purpose-built facility at RAF Brize Norton and will provide an integrated all-inclusive service which supports all operational scenarios; this will include full maintenance, flight and fleet management, ground services and state-of-the-art training for RAF FSTA personnel. The first aircraft will enter service during 2011, and will be available for both air-to-air refuelling and air transport tasks. The balance of the fleet will become available to the RAF over the following five years.
- 6 The funding raised by the Financing Competition will be used to fund the establishment of the business, to procure the A330-200 tanker transport aircraft fleet and to build the new facilities from which AirTanker will provide the FSTA service.

- 7 AirTanker and Deutsche Bank, its financial advisors, will be working hard over the coming weeks to select the lenders who will finance the project. The expectation is that we will begin negotiations with a number of potential lenders throughout the competition until the final selection is made. The goal will be to ensure that the final terms agreed with the chosen lenders transfer the risk away from the taxpayer while guaranteeing full value for money for the MOD.
- 8 FSTA will directly sustain around 3000 jobs in the UK, and a further 4500 indirectly. The MoD's decision to choose AirTanker for FSTA has also had implications further afield. Both Australia and the UAE have subsequently selected the A330 tanker; this export success creates additional industrial benefit for the UK. The aircraft is also one of two being considered by the US Defence Department in a competition to determine who will provide the next generation of America's air-to-air refuelling needs.
- 9 Print quality pictures can be downloaded from the News section of the AirTanker website at [www.airtanker.co.uk](http://www.airtanker.co.uk).

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