

Experts Name Top 2010 Retiring Aircraft Buys For Later Parts Sales

AIRFRAMERS/SUPPLIERS

The recent economic trough has pushed aircraft retirement age to as young as seven to eight years from around 28-30 years (DAILY, July 6). These younger types become candidates for parting out — becoming sources for aircraft parts. Speaking at the Aircraft Fleet Recycling Association's annual meeting last week in Washington, consultants and executives in the aircraft lease and parting-out business named their top aircraft picks for purchase in the near term, and for parts sales in the long term.

The recession largely was good for business in the parts sector because more airlines have begun accepting used parts, says GA Telesis CEO Abdol Moabery. As a case in point, he says that while Emirates uses only new OEM parts, low-cost startup Flydubai takes advantage of used parts.

Saturation Ratio

To decide which aircraft types offer parts and components with the best resale value and most demand, buyers should consider engine and system component commonality with other in-service types. Buyers should also take account of a type's recent "saturation ratio," says Steve Manley, CEO of Universal Asset Management (UAM). Most aircraft hit this metric at 7%; for example, for an aircraft that is part of a total operating fleet of 1,000, Manley says the saturation ratio would be about 70 dismantled aircraft. In other words, if 70 or more of those 1,000 aircraft have been dismantled within the past two to three years, the type may not be a good candidate for parting out because parts would be more widely available.

GA Telesis's Moabery sees the Airbus A310-300 and A320 and Bombardier CRJ-200 as top picks because of their compatibility with other aircraft engine and airframe rotables. The A310-300 is notable because of its

four engine options, he says, and the relatively young CRJ200 fleet because of the way it has been edged out of the 50-seat regional market and its commonality with other CRJs for airframe components. The A320 fleet, the oldest of which has been in service about 15 years, has exact commonality with the MD90's engine, great compatibility with other Airbus types, and a lot of similar avionics to those of the A340, he says.

Strong Future

The Boeing 737-300 is UAM's Manley's top pick because it is "really getting cheap" and has great commonality across the three Classic types. He also sees a strong future for it in emerging markets. The 757-200, particularly those powered by Rolls-Royce RB211-535E4 engines, also should be a good choice, Manley says, since it's cheaper than a 767-200 or -300 and has great compatibility with their system components. Manley notes that 757-200s below line number 210 will not be suitable for freighter conversion, and therefore make the best candidates for disassembly. He also likes the 767-200ER — but only the extended-range version. The value of this aircraft's CF680C2 engines may cover the entire cost of buying it, which can be as cheap as \$3.5 million, he says. Its airframe parts, minus the landing gear, are 100% compatible with the 767-300 and -300ER, aircraft that typically cost more than five times as much as the -200ER.

Though Manley doesn't agree, consultant Jack Feir likes the MD11 as a good "sleeper" pick. Only 10-20 remain in passenger service, while 175 have successfully transitioned into freighters. Feir notes that freighter conversion generally adds 10 years to an aircraft's service life. Manley doesn't see the same good opportunities on the MD11 because of its relatively high purchase price, limited market (FedEx operates most of them), and dispatch reliability problems due to its horizontal stabilizer.

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Singapore Airlines Resumes Cadet Pilot Recruitment

LABOR

Singapore Airlines has resumed recruiting cadet pilots, which it had frozen early last year when a business downturn led to capacity cuts and excess manpower.

With the air travel industry starting to pick up again after a long slump, the airline says it must recruit now to meet future operational needs because it takes about three years to train a cadet.

The training is done at the airline's facilities in Singapore and Australia, which are run by its wholly owned subsidiary, Singapore Flying College.

Singapore Airlines usually accepts about 120 cadet pilots

a year, but no number has been set for the current intake. About 350 cadets are at various stages of their training.

The Air Line Pilots Association of Singapore welcomes the move to resume hiring cadet pilots as a sign that business is improving but warns that there is still excess in the system.

Because of flight and route cuts that were made in the past financial year, which ended March 31, 2010, pilots are now flying under the usual 70 hours a month, and cadets who joined the airline before hiring was suspended have also had their training stints lengthened.

The union also points out that the airline has yet to reinstate all the capacity that was removed and has in fact said that it will be cautious in doing so because the industry remains fragile.

-Asia-Pacific Staff