

A warning from the desert

The number of parked jetliners now exceeds 1,350, and there indications that this could rise substantially over the next few years as the freight market consolidates and retires major types early. Large passenger fleets will also be retired, with their secondary market prospects now limited.

The number of parked jet aircraft is about 1,300 units. This includes about 1,050 of major types parked in the largest numbers (see chart, page 12). In addition, there are in the region of another 150 major types of jets, such as A320s, A330/340s, MD-11s and 777s parked in small quantities. It also includes about 100 L-1011s. In addition to these 1,300 aircraft there are minority types, such as the BAC 1-11, Fokker 100 and Caravelle. There is a total of about 1,380 parked large jet transport aircraft.

The number of major regional types in storage now exceeds 400 aircraft. This includes major turboprop types with 19 seats and larger, as well as large numbers of young regional jets.

Not surprisingly the type with the largest number of parked aircraft is the 727. The current parked fleet is almost 300 aircraft, and has varied between about 250 and 335 since January 2000.

The number could now climb with FedEx having taken US Postal Service (USPS) contracts from Kitty Hawk and Emery. These airlines have relied heavily on the USPS for business, and their fleets will be curtailed as a result of losing the USPS work. Kitty Hawk is in Chapter 11 bankruptcy protection. It is possible the the airline could be liquidated in one or two months. Emery is downsizing its fleet, FedEx is accelerating the retirement of its 727-100s and UPS said it will start to retire its 727-100s in 2002.

These all provide signals that the 727 freight conversion market should be revised downwards again. In addition to the freight market, the number of

passenger 727 retirements is being accelerated. Delta, United and Northwest are all halfway through the retirement of their 727 fleets, and American is also downsizing its 727s as it takes delivery of 737-800s.

The combination of freight recession and consolidation, favourable new aircraft financing terms and high fuel prices will accelerate passenger 727 retirements and reduce conversions.

The downturn and recession in the freight sector is also taking in other aircraft victims. Reports of sharp rises and nasty shocks in DC-8 heavy maintenance costs has seen a rise in the number of parked DC-8s. The number of 707 and DC-8s in the desert has risen sharply by more than 20 units since the start of the year. The DC-8's staunchest supporters have finally begun to phase-out their aircraft, and retirements will continue. The recent launch by EADS-EFW of the A300-600 and A310-300 freighter conversion programmes will pave the way for the retirement of the majority of the 707 and DC-8 fleet, except for the prolific DC-8-70 series.

There is also the possibility that the 767 freight conversion programme may be launched, acting as a catalyst to DC-8 replacement programmes. The number of parked 707s and DC-8s is thus set to rise.

Another type parked in large numbers is the DC-9. This has begun to climb since the start of the year, and will continue to increase. Most traditional used markets for the DC-9 are now drying up for the same reason as the passenger 727 market facing decline. A secondary east European market has not materialised, and many carriers in central and south America are now by-passing the used market and taking new aircraft direct from the mega lessors at unprecedented low lease rates. The number of parked DC-9s stands close to 130, but the biggest contributor to an increased number of parked aircraft will be Northwest's long-awaited DC-9 replacement decision. The market for used DC-9s has now long passed, and Northwest has about 170 in its fleet. The prospects of finding airlines that will take all or even a majority of these is small.

The situation is similar for the 737.



The DC-10 is one type with large numbers in the desert. This will now increase, with FedEx cancelling 26-29 of its MD-10 conversions and several major passenger fleets due for retirement.

Parked numbers came close to 200, but this summer has seen a fall in parked aircraft. The 737-200 is coming under increasing pressure from low lease rates of 737NGs offered by mega lessors. These are reportedly leasing out 737-700s at rates as low as \$225,000 per month, and placing them with low credit quality airlines in most parts of the globe. This is putting pressure of 737-300/-400/-500 lease rates, and in turn the 737-200 will fall victim as these airlines shun the type.

The number of MD-80s in the desert is low, but SAS has now made a fleet replacement decision. Delta, American and Continental all have large 737NG orders in place, and they will eventually start MD-80 retirements. Delta would also like to phase-out its MD-90s. The consequences could be a glut of several hundred MD-80s, since a secondary market for the type has failed to materialise. The prospect of freight conversion has been almost ignored. The 737-400 is the hot favourite to replace some 727-100Fs, and younger and better quality 727-200As are touted as the most likely 727-200F replacement candidates. There is also Boeing's 757-200SF freight conversion programme, and other supplemental type certificates are being considered by engineering companies. The 757-200 could start to be converted in large numbers by 2003. The 737-400 and 757-200 will thus shut the MD-80 out as a 727 replacement prospect.

The three widebodies with the largest number of parked aircraft are the A300, DC-10 and 747. These are all major freighter types, but the majority of parked

individuals are the poorer freight candidates.

There are in the region of 60 parked A300s and A310s. The A300B2 accounts for the majority, and these are lightweight aircraft. The number of A300B4s that will be converted is unlikely to increase from that already committed. C-S Aviation has almost 30 converted aircraft it has for sale with leases attached, and several A300B4 operators have made the decision to get out of the type.

The launch of the A300-600 conversion programme will make it unlikely that any more A300B4s will get converted. The A300B4 has gained a reputation for high maintenance costs, with engine reserves reported as being as high as \$400 per engine flight hour. Japan Air System's recent announcement of an A300-600 order to replace its A300B4s will be one addition to the parked fleet. Any remaining A310-200s in passenger operation are also unlikely to be converted, and have a high chance of being parked.

Perhaps the most worrying is the number of DC-10s in the desert. Numbers now run at about 100, but FedEx has announced it will cancel 26-29 MD-10 conversions. To add to the DC-10's woes are Continental's and Northwest's large fleets. There are also other small airlines yet to replace DC-10s.

A large freight conversion market was predicted for the DC-10-30, but so far only FedEx and Gemini have materialised as significant customers.

There are more than 100 parked 747s. Like many other older technology

aircraft types, the number of expected 747-200 conversions has been revised down. The 747-200 has been pushed aside by the MD-11 and 747-400F, with improved financing terms. The recent sharp downturn in freight traffic has spoiled the chances of a 747-200 renaissance, and it may only be a few years before passenger 747-400s start being converted. Adding to the 747-200's misery is the parking of six 747-200SFs by Atlas Air. Several major 747-200 passenger fleets have yet to be retired, and this will occur in the next few years.

Overall, the chances of the number of major jet types parked in the desert reaching close to 2,000 units in the next few years is high. The industry is going through a combination of the largest re-equipping phase in its entire history, the eventual en-masse retirement of large fleets of Stage 2 narrowbodies and first generation widebodies, extremely attractive financing terms for new aircraft and recessions in both passenger and freight sectors.

The consequences will be serious for a large number of maintenance facilities and lessors which have relied on the continuing operation of these older aircraft types for another 10 years. Many maintenance providers have not modernised into younger aircraft types, and reports of maintenance activity being at record low levels in recent months are repeated across the industry. The full consequences will not be known until a clearer picture of how the passenger and freight sectors will emerge from recession is available. **AC**

PARKED MAJOR AIRCRAFT TYPES

