

Number of younger aircraft in storage increase as airlines restructure

Most observers sense that an industry recovery is underway. Airlines in the Asia Pacific are regaining traffic after the SARS outbreak, while traffic volumes and yields improve steadily in the US. Despite this, there has been a small net increase in the number of stored aircraft.

Analysis of aircraft leaving and entering storage since the start of 2003 reveals that the number of new generation aircraft in storage has actually increased, despite recent improvements in traffic and profitability for some airlines. This improvement might have been expected to lead to a net reduction of younger and better quality aircraft in storage as demand has continued to recover. While lessors generally report a firming of lease rates and interest in aircraft, a few airlines have stored large numbers of aircraft since the start of the year.

While some younger and more attractive aircraft have been returned to service, their numbers have been more than offset by other carriers storing aircraft due to reorganisation under Chapter 11 or due to weak traffic as a result of the SARS virus in the Asia Pacific region earlier in the year. Closer analysis reveals which aircraft have been taken out of storage and which aircraft have gone into storage.

The first group of aircraft is the smaller narrowbodies: the Fokker 100 and BAE Systems 146/RJ.

There has been a small increase in Fokker 100s in storage. A large number of aircraft owned by US Airways, Rolls-Royce Credit Corporation and Debis Airfinance have come out of storage, but their numbers have been exceeded by American Airlines grounding a large portion of its fleet.

Air China, one carrier affected by the SARS outbreak, has parked four BAE 146s, and another aircraft has been stood down by Buzz following its merger with Ryanair.

Perhaps surprising is the increase in numbers of A320 family aircraft that have been parked. This is mainly accounted for by A319s being stored by Lufthansa and US Airways. There has been little net change in A320s, although there has been a high degree of flux in aircraft leaving and entering storage.

Aircraft belonging to Ansett Worldwide, Lufthansa, Northwest, United, US Airways, Air France and White Tails from Airbus Industrie have all been parked. Meanwhile, Singapore Aircraft Leasing (SALE), Ansett Worldwide, GATX Leasing, Mytravel

Airways, Virgin Atlantic, Iberia and Airbus Industrie have all put aircraft back into operation.

Perhaps unsurprisingly, there has been an increase in MD-80s in storage, although with some degree of flux with aircraft leaving and entering. The net increase is due mainly to MD-82 and -83s. Various lessors, including GECAS, Finova, Pegasus, Debis Airfinance and carriers such as SAS have taken aircraft out of storage. Some of these same lessors have also parked aircraft, however, and the influx is also accounted for by aircraft being stood down by American Airlines, Continental and Flightlease.

One aircraft type that has seen a net reduction in stored numbers is the 717, with 11 ex-American (previously ex-TWA aircraft) going into operation with AirTran.

The 737-300/-400/-500 series has also seen a number of aircraft come out of storage, although there is little overall change in the number of -300s. Several -300s have been parked by United Airlines over the course of the year, which has offset a similar number of aircraft being returned to operation by US Airways.

The largest change has been a reduction in the number of -400s in storage, with a net change of nine aircraft. This includes mainly US Airways aircraft.

There has also been an increase of six -500s being parked by Lufthansa and United.

The number of 737NG family aircraft was already low at the start of 2003, and has decreased with SAS, GECAS and Braathens all putting aircraft back into operation.

There has been little net change in stored 757s. Northwest has put five aircraft into storage, while United has also stood down eight aircraft. These

CHANGES IN NUMBERS OF STORED AIRCRAFT JANUARY TO AUGUST 2003

Aircraft type	Number stored January '03	Number stored August '03	Net change number stored
Younger generation			
Fokker 100	53	57	4 more
BAE 146/RJ	32	37	5 more
A320 series	53	61	8 more
MD-80/-90	100	122	22 more
717	20	8	12 less
737-300/-400/-500	66	59	7 less
737-600/-700/-800/-900	11	4	7 less
757-200/-300	33	29	4 less
A310-200/-300	29	41	12 more
A300-600	8	12	4 more
A330/340 series	14	19	5 more
MD-11	12	18	6 more
767-200/-200ER	29	45	16 more
767-300/-300ER	20	7	13 less
777-200/-200ER	0	3	3 more
747-300/-400	16	26	10 more
Older generation			
DC-9 series	77	76	1 less
727 series	303	273	30 less
737-100/-200	175	137	38 less
707	13	12	1 less
DC-8-50/-60 series	27	22	5 less
DC-8-70 series	25	17	8 less
A300B2/B4	26	24	2 less
L-1011 series	74	73	1 less
DC-10 series	66	69	3 more
747SP/-100/-200	61	58	3 less

Source: *BACK Aviation Solutions*

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have been slightly exceeded by aircraft being taken out of storage by Air Atlanta Icelandic, British Airways (BA) and various lessors. There are still relatively large numbers of 757s that have remained in storage which represent a surplus that keeps values low, and makes the aircraft possible candidates for conversion.

Among the smaller widebodies, there has been an increase in the number of A310s, 767-200s and A300-600s, all of which are potential conversion candidates. The biggest increase is with 767-200 series, with American, United, Qantas and GECAS all parking large numbers. Few have been returned to service, which indicates that the type is falling from favour. US carriers are switching to smaller types, while other airlines have started to make replacement decisions. This could indicate the start of a drop in 767-200 series values, and would be the catalyst for the start of passenger to freighter conversion programmes.

There has also been an increase in parked A310-300s, in particular by Lufthansa and Singapore Airlines (SIA), which was hit by the SARS virus earlier this year. A310 availability is also likely to increase in the long-term, since operators are replacing their fleets. This

again will bring down values that might trigger more conversions to freighter.

Lufthansa also stood down four A300-600s, despite acquiring some used examples from Emirates just a few years ago.

In contrast to the 767-200, there are less of the more popular 767-300 series in storage, with BA and American aircraft going back into operation.

United has parked every type of aircraft it operates, including the 777, of which it parked four. SIA has also parked two, following the traffic downturn following the SARS virus.

SIA has also parked more A340-300s, as have Boeing and Swiss, although Boeing and SIA have also taken aircraft out of storage.

Delta's retirement of its MD-11 fleet following a restructuring plan has seen an increase in the number parked, while United Parcel Service has converted and put into operation some of the aircraft it has acquired.

United and SIA have also parked some 747-400s, although this is likely to be a temporary measure while United restructures and SIA recovers from the SARS outbreak.

Overall, the activity of young, modern types going into and coming out of storage shows little net change, as some

carriers recover from low traffic volumes and restructuring while others, mainly United, have parked aircraft while they have restructured or suffered temporary declines in traffic. The number of these aircraft in storage should see a net fall as the traffic recovery continues into 2004, together with the eventual re-emergence of United from Chapter 11, and the majority of these parked aircraft go back into operation.

The change in numbers of older generation aircraft in storage is a contrast to younger types. While several examples of 727-100s, 727-200s and 737-100/-200s have been purchased by various lessors and parked and made available for lease, they have not been acquired by airlines and so effectively remain parked. Flightstar Corporation, for example, has purchased a batch of 727-100s from Emery Worldwide and European Air Transport, but these aircraft are still available. The same applies to a group of ex-Emery 727-200Fs, and also some passenger-configured 727-200s. A few of these older types have been retired, effectively taking them out of the list of officially available aircraft.

Aeroturbine has also acquired a group of ex-Emery DC-8-70s for parting out. Two A300B4s have been returned to service with charter carrier Air Scandic. **AC**

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