

# MD-80 values & aftermarket

**The MD-80 provides airlines with a bargain. Young and good quality aircraft can be acquired for less than \$4 million.**

**D**espite the MD-80's durable airframe and competitive operating economics when aircraft financing charges are taken into consideration, the demand for used aircraft is weak. The aircraft's fuselage cross-section makes it inappropriate for passenger-to-freighter conversion, and so closes off a major potential aftermarket. The only possibilities for selling used aircraft are to start-up carriers and for parts salvage.

There are still 1,042 MD-80s in service, almost half of which are MD-82s, and 255 are MD-83s. Some initial operators have begun to disperse their fleets to start-up carriers, but many second-tier and third-tier airlines have taken A320 family aircraft and 737NGs direct from operating lessors. The interest in used MD-80s is therefore limited.

This implies the number of MD-80s is excessive compared to the probable market for aircraft going into small airlines. The weak demand for MD-80s has had the overall effect of pushing values down to the equivalent of the market value for the two engines, plus in

the region of \$0.5-1.0 million for the airframe. Many aircraft can be disassembled for engines and major airframe parts, but this will eventually push down values once the used market is saturated.

## Airline market

A few carriers have acquired used MD-80s in recent years and have been successful with the aircraft. Values of good quality used aircraft have generally been less than \$5.0 million, and lease rates in the \$45,000-75,000 per month range.

Airlines that have acquired used MD-80s include Allegiant Air, Spirit, Lion Air, Nordic AirlinK, MNG Airlines and Air Adriatic. The aircraft has about 25% higher fuel burn than the A320 of 737NG, but otherwise it has similar maintenance costs and in most airlines' cases would have similar or equal flightcrew costs. The MD-80's maintenance costs may even be lower than modern narrowbody types on account of the JT8D-200's lower material

and parts costs. The MD-80 has the advantage of a lease rate in the region of \$45,000-75,000, compared to \$350,000 or more per month for an A320 or 737NG. On this basis, the MD-80 can deliver almost unbeatable unit seat-mile costs, making it attractive for start-up carriers. Moreover, the aircraft is popular with passengers when it has a refurbished interior. The aircraft can also continue to operate for a long time on account of its durable airframe, stable maintenance costs and the availability of low-cost Stage 4 modification programmes. The MD-80's ability to continue in operation is reflected by American Airlines' plans to keep its fleet of more than 300 aircraft and put them through a major refurbishment programme.

## Market values

The value of used MD-80s is most influenced by the engine variant on the aircraft. Doug Jaffe, chief executive officer at Jetran International explains that demand is high for aircraft with -217C and -219 engines, but poor for those with -209, -217 and -217A engines.

"JT8D-219 engines have a value of \$900,000-1,300,000. Taking the value of the two engines plus the airframe puts the value of an MD-87 at \$2.5-3.5 million," says Jaffe. "This value is based on a part-out market, since the only demand for aircraft is a possible small number for the executive jet market."

Jaffe points out that -217 and -217A engines have a lower value of \$0.5-0.75 million, while the -217C's value is much closer to the -219. "Demand for engines other than the -217C and -219 has collapsed since 9/11," continues Jaffe. "An MD-82 with -217C engines has a value of about \$1.5-2.5 million, although it would be higher if the aircraft were fresh from a base check and had hardened flightdeck doors installed. The problem is that the cost of a C check and the termination of the insulation blanket airworthiness directive is high compared to the aircraft's value.

"The good thing is that the oversupply of aircraft and spares means it is cheap to keep the aircraft operational. The MD-83 is one of the better variants, and the best examples will have a value only as high as \$5.0-6.0 million," says Jaffe. "This is basically due to its engines. Overall, the main problem is the lack of a major aftermarket, which means it is hard to sell aircraft in large quantities. Most transactions to airlines are for one or two aircraft." **AC**

*The lack of demand for MD-80s has pushed their market values down to a level equal to the market value of the two engines plus \$0.5-1.0 million for the airframe.*

