THERE ARE CURRENTLY VERY FEW NARROWBODY AIRCRAFT AVAILABLE FOR TEARDOWN

In an exclusive to Freighter Trends, Jasper van den Boogaard, VP Airframe Acquisition & Trading at APOC mentioned that the longer aircraft are grounded the more difficult it is to return them to service. It is important to note that not all parked aircraft are suitable candidates for part-out. Very expensive assets or assets that have recently been invested in, for maintenance for example, would sell at a loss for teardown. Here are the details.....

What impact of the covid pandemic have you seen on aircraft grounded over more than 1-2 years?

Jasper van den Boogaard, VP Airframe Acquisition & Trading at APOC and ISTAT Certified Appraiser - The longer aircraft are grounded the more difficult it is to return them to service. Lack of operation and environmental factors at the storage location, especially humidity, heat, sand and salt, all effect the condition of the aircraft and can lead to serious issues. At APOC, we commonly see flight control actuators and landing gears that seize up and get totally stuck due to corrosion, as well as corroded brakes and wheels. Computers that absorb humidity and simply stop working, and many other issues. The fact is, aircraft are not designed to stay on the ground, so the longer they do the harder (and more expensive) it is to get them in the air again.


Jasper van den Boogaard


Anca Mihalache

How many narrowbody aircraft are ready for teardown? How big was the market pre-covid and currently today?

Jasper van den Boogaard - There are currently very few narrowbody aircraft available for teardown. If we take the pre-COVID figures of 2019 as our baseline of 100%, we saw more availability in 2020 with an increase to 150-200% because many sellers were actively shopping. As 2021 progressed, we saw this trend correct itself as figures returned to 100% of pre-COVID levels. But as we start 2022 we at APOC are seeing much lower figures, of just 25-50% of the 2019 baseline, a trend which is predicted to continue for the immediate future.

It is important to note that not all parked aircraft are suitable candidates for part-out. Very expensive assets or assets that have recently been invested in, for maintenance for example, would sell at a loss for teardown. So in these instances, if owners have to park the aircraft, they have no option but to ride it out and wait for better times to come.

How do you see aircraft disassembly of widebody aircraft during this period?

Jasper van den Boogaard - At APOC, we specialise in narrowbody aircraft, but it is clearly evident that the widebody market is under a lot more pressure. As international travel is taking longer to recover, so is the widebody sector.

How beneficial are the USM parts for the sustainable aviation industry?

Jasper van den Boogaard - Every airline uses USM parts, they are a great source for keeping their aircraft flying at lower prices than if utilising new parts. This is good for the airline's bottom line, but also good for the industry and the environment in general as it is effectively upcycling old parts that would otherwise be thrown away. It's a truly circular and sustainable market as all aircraft will eventually retire, and so be candidates for part-out, and all aircraft need replacement parts throughout their serviceable life.

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Do you see the USM parts market as highly competitive? What impact of USM do you see in the P2F segment?

Jasper van den Boogaard - Yes, it is a very competitive market. Interestingly though, despite the increase in available aircraft over the last few years, the actual number of aircraft being torn down for part-out did not significantly increase during that period. But, as up to 80% of aircraft were not flying at the peak of the global lockdowns, compared to 2019 figures, demand was low as very few parts were needed for routine maintenance or ad hoc repairs. Instead parts were being stockpiled in warehouses waiting for the upturn, causing an excess of availability.

This will be short-lived though, as we see demand returning when the number of aircraft fights are above 80% again. Especially now with many aircraft returning to market and the hope of a strong summer season, these reserves will quickly be used up as there is a direct correlation between the number of aircraft flying and the volume of parts needed to maintain them.

Aircraft and parts suitable for freighter conversion sell at a premium, compared to types that cannot be converted. For us at APOC this can be a positive and a negative. On the buying side we are competing with P2F conversion specialists to acquire the same assets, but on the selling side that competition becomes an additional prospective customer.

How competitive is the CFM56-5B, 7B, and V2500 engines market from teardown to aftermarket? How price sensitive is the market in this segment?

Anca Mihalache, VP Engine Trading & Leasing at APOC - The narrowbody engine market has always been very strong. Even during the peak of the pandemic there was still a lot of competition for engines for part-out and parts sale. Competition is even higher now though as many companies are choosing to hold on to high value and 'hot' parts rather than selling now, waiting for market prices to return to the pre-COVID levels of 2019. However, things are looking positive moving forward and the general expectation is that 2022 will be a very good year for the engine parts sector.

Of course, parts prices depend very much on the availability of a specific part at any one time. But since the pandemic started, the trace requirements for each part is increasingly impacting price too. We are seeing a move towards complete back-to-birth traceability (BtB) being expected for more than just life-limited parts (LLPs).