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LOW-COST & REGIONAL

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ENDURING VALUE

A brisk recovery in civil aviation and severe supply-chain bottlenecks have combined to create a lucrative seller's market for used aircraft components. **Stan Abbott** reports

When the Covid-19 pandemic struck in 2020, it came close to shutting down civil aviation completely. The casualties were many and included household names, from leasing companies to carriers and others.

While the pandemic brought one set of problems, once it died away, the unexpectedly brisk recovery across the industry brought new challenges, many of which still linger.

The supply-chain squeeze

As original equipment manufacturers (OEMs) struggled to meet the demand for new aircraft, matters were exacerbated by problems with the latest engine technology. Pratt & Whitney's geared turbofan (GTF) – used to power popular aircraft, including Airbus's A220 and A320neo – suffered cracks in the high-pressure turbine and compressor units because of microscopic defects in powdered metal components.

With large numbers of aircraft out of service, the demand for new aircraft became even more critical, creating a situation in which the supply of spare parts was not the top priority for OEMs.

The reuse of spare parts from aircraft that have been retired from service is nothing new, but the confluence of the various misfortunes of the OEMs has provided an enduring shot in the arm for the reuse sector.

The tear-down trade

One of the longest-standing names in aircraft tear-downs is Air Salvage International (ASI), based at Cotswold Airport, familiar to the general public as a location for TV's *Top Gear*.

ASI specialises in dismantling aircraft for clients, such as Jet2, and can provide parts to order for suppliers to the industry. It also runs a separate aircraft maintenance operation.

"We were dismantling aircraft for operators who owned their own assets

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Mark Gregory, managing director of ASI

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and wanted their aircraft dismantled," says Mark Gregory, managing director of ASI. "We still work for operators, but the core business now is working for parts traders.

"During the pandemic, we saw an increase in aircraft coming in for storage. Then, when we came out of the pandemic, a lot of older aircraft went back into service again. Now we have the problem with the GTF engines, and it's estimated that about 600 aircraft are being taken out of service this year and the lead time for an engine to be modified is about 300 days."

This has resulted in some much newer aircraft being dismantled for spare parts because of a lack of available engines.

Currently, the typical aircraft arriving at ASI is about 25 years old and speculators have entered the market. "It's a seller's market and the traders are opting to buy the aircraft for specific parts," says Gregory, adding a note of caution: "If you pay over the odds for an aircraft, you are banking on selling those parts for top dollar. They are financing the purchase of the aircraft and then they get caught out as they can't make the money back.

"As the manufacturers sort themselves out with their new deliveries and the GTF engine problems get resolved, we will see a lot more ageing aircraft coming through the facility and things will settle down again."

He continues: "Initially we work with the lessors who accept the aircraft being returned from the operators. The engines will more than likely be sold back or leased back into the market and then the lessor will sell to a parts trader.

"At that point, the aircraft is deregistered and we start dismantling it. Of 30 aircraft that arrive here, about 10 will return to service, especially the narrow-body cargo aircraft. For example, a Boeing 737-300, 30 years old, was destined to be parts but it was taken back by the lessor and is now being sold."

An aircraft will yield 600 to 800 parts for a trader. Gregory says, "If we are working for an operator we see between 2,000 and 3,000 parts coming off the aircraft, which can range from ERJ-145s right up to Boeing 747s. Parts are removed, certified in the workshop and labelled with an identification docket."

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2 & 3. The typical aircraft arriving at ASI is about 25 years old

Recertification and legacy stock

AJW Group, headquartered near Gatwick and with supply hubs including Amsterdam, Miami and Singapore, serves more than 1,000 airlines across 100 countries, providing component parts and repair services. It is focused primarily on Airbus, Boeing, Bombardier (Challenger, Learjet and Global series) and Embraer aircraft.

Scott Symington, chief commercial officer, suggests that the problems which have arisen post-Covid have highlighted the value of collaboration across the aviation network.

He explains: "By developing stronger partnerships and transparent communication between manufacturers, service providers and logistics networks, stakeholders are working towards a more unified response to challenges.

"Most of the group's 450,000 line items of inventory are reused and recertified, with only a small proportion being new purchased parts. As we have our own MRO facility, AJW Technique, in Montreal, it is economically viable for our customers if we invest more heavily

in used serviceable materials (USMs) that can be repaired and recertified by our in-house technicians and engineers.

"Our aim is always to price used and repaired parts competitively below new OEM components and we can repair components at significantly lower cost than purchasing off-the-shelf OEM parts," he continues.

"Older aircraft are staying in service for longer, so the feed of legacy parts into the component pool has diminished. These aircraft need more frequent maintenance, requiring more parts, so companies like AJW Group, which hold extensive legacy stock, are in a good position to support the industry through any parts scarcity.

"In general, the components that tend to hold the highest value and are best suited for reuse at end of life include engines, landing gear, auxiliary power units (APUs), thrust reversers, integrated drive generators (IDGs), air data inertial reference units (ADIRUs) and avionics systems.

"These high-value components represent significant investments and, when properly maintained and certified, can be economically restored and redeployed across the fleet lifecycle, making them particularly attractive for reuse programmes."

Short supplies and OEM pricing

Avocet Aviation, based at Southend-on-Sea, is an authorised parts reseller for a variety of jet, turboprop and piston-engined aircraft, ranging from Cessna, Beechcraft and Hawker upwards, and including a growing exchange pool of ATR components.

Andy Parks, sales director, says the use of overhauled parts could deliver significant savings against the price of brand-new components from OEMs. However, he adds: "You do get occasions when the OEM is the only option, as they may retain the right to overhaul the units themselves."

He highlights windshields as a component still in short supply: "With the OEMs, due to the length of the lead time, they now advise that if the delivery falls into the following year, the price will be as per the list price for that year.

"I'd like to think this period has been an exceptional big blip, but it has also given the OEMs a licence to possibly take advantage of the situation with higher pricing."

Turboprop spare supply has enjoyed a slightly different evolution, with key ATR parts suppliers including Skyways Technics, based at Sønderborg Airport in southern Denmark. This company initially evolved from the 2012 bankruptcy of a Danish carrier, Cimber Air, when the financially viable maintenance arm and its facilities were acquired and subsequently rebranded.

With the collapse during Covid of Nordic Aviation Capital, Skyways Technics acquired a number of parked ATR aircraft, which proved to be good candidates for tear-down to create supplies of spare parts during the recovery period. Skyways Technics has subsequently identified growth opportunities in narrow-body jets, as well as widening its geographical reach.

Aviation is a cyclical business and there will always be disruptions caused by volcanic eruptions, wars and other unpredictable events, as Symington reflects: "If we look at the industry historically, we see natural ebbs and flows. At the time, the ebbs look like 'exceptional' circumstances, but when reflecting on the bigger picture there is always something impacting the industry, whether it be geopolitical, financial, or environmental.

"However, the positive takeaway is that we have learnt to be incredibly resilient and agile in overcoming what might be seen as 'exceptional' circumstances."

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Scott Symington, chief commercial officer, AJW Group

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