

# MRO

Aerospace Magazine

**Opportunity  
knocks for  
teardown  
acquisitions**



## **Auxiliary Power Units**

Airlines fire up APUs as industry sees solid recovery

## **Spare Parts Supply**

Will Russian-made parts maintain airworthiness?

## **Industry Interview**

Fraser Currie,  
Chief Executive, Joramco



# Serviceable material demand leads to surge in **teardowns**

END-OF-LIFE ASSETS



Serviceable material demand is at one of the highest peaks.  
Photo: Ascent Aviation

As the aviation industry climbs out of the pandemic, **Keith Mwanalushi** looks at the impact on the teardowns market analysing the aircraft types and demands for serviceable inventory components.

Salvaged parts from aircraft teardowns continue to show increased market demands as aircraft operators ramp up their operations post-pandemic. Many of the aircraft that were in storage are returning to service and those that are not, most of the high-demand components are going into the parts market.

"We have seen a rather significant uptick in reclamation projects over the past 12 months as airlines and lessors emerged with a clearer picture of their capacity needs in the post-pandemic world," comments Mike Scott, Senior Director of Sales at Ascent Aviation Services. The company has been busy at its reclamation and teardown unit at its Marana and Tucson facilities over the past year and has also performed several teardown projects at the new Roswell facility over the past few months.

"We have a very robust reclamation



Mike Scott, Senior Director of Sales at  
Ascent Aviation Services

quality process that has been formulated based on our many years of teardown experience, which covers all aspects of the project from pre-induction checklist items to the ultimate crushing of the airframe for recycling at the end of the project," explains Scott. Additionally, Ascent is AFRA accredited and follows the AFRA Best Practices Manual. "As each project has a bit of uniqueness due to the differing operator requirements, we do work closely with our teardown customers to tailor each quote to the specific needs to control costs, increase efficiency, and work towards timely completion of the project," he states.

Over at Magellan, they see that teardown demand has decreased even though more end-of-life assets, both airframe and engines are coming to the market. "There are many variables that determine trends in the number of idle aircraft. Factors include the



“We have seen a rather significant uptick in reclamation projects over the past 12 months as airlines and lessors emerged with a clearer picture of their capacity needs in the post-pandemic world.”

*Mike Scott, Ascent Aviation Services*



Salvaged parts from aircraft teardowns continue to show increased market demands.  
Photo: Ascent Aviation

capacity of OEM new aircraft deliveries, the war in Ukraine, and ongoing staffing issues among pilots and cabin crew,” observes Richard O’Grady VP, Trading and Asset Management at Magellan.

O’Grady questions if demand will affect airlines’ capacity, and consequently, if airlines will keep their surplus fleet parked until insufficient staffing levels and fuel prices have improved – “The ready availability of teardown slots seems to point towards airlines holding on to assets for the time being, thereby increasing the number of idle aircraft,” he suggests.

Magellan is increasing recovery efficiencies by proactively establishing cooperative relationships directly with AFRA accredited teardown facilities. O’Grady adds that strategic partners have approved processes and procedures under AFRA BMP.

“We see no slowdown in aircraft availability for teardown, quite the opposite actually,” notes Jason Reed, President at Flight Solutions Group. “Manufacturers are ramping up deliveries of their newer technology single-aisle assets, which drive airlines to release more of the older aircraft

and engines to the aftermarket.”

On the flip side, Reed says although idle now, many widebody aircraft are also starting to be re-activated – “The slowest sector to return on that front continues to

be the Asia Pacific operators.

“The demand profile for single-aisle teardowns has grown tremendously with the lack of availability of new parts in the industry. Additionally, with long lead and repair times on the rise, tagged serviceable material demand is at one of the highest peaks we have seen,” Reed indicates.

At Magnetic Trading, the last teardown was in 2019 and they were able to sell most of the stock before COVID hit – “We have not done any teardowns within the last year, but we acquired several landing gears, engines and packages. We starting to see high recovery signs on the components market as well as increased interest for the teardowns,” says Eigirdas Keblikas, VP Asset Trading and Leasing at Magnetic Trading. “We could clearly see that cargo aircraft demand has a huge influence for the teardown market especially on the 737-800NG platform, as most of the aircraft are going for cargo conversion instead of teardowns.”

Keblikas notes that increased demand for USM might push companies to proceed with a teardown project even with a



Richard O’Grady, VP, Trading & Asset Management, Magellan

“**The demand profile for single-aisle teardowns has grown tremendously with the lack of availability of new parts in the industry. Additionally, with long lead and repair times on the rise, tagged serviceable material demand is at one of the highest peaks we have seen.**

*Jason Reed, Flight Solutions Group*

”


Jason Reed, President, Flight Solutions Group

higher acquisition and increased cost on transportation and repairs – “We do see a right timing for teardown acquisition at the moment,” he says.

Armando Filho, Director of Material Management at Vallair feels that the market is looking to see more teardowns for both narrow and widebodies to reduce cost, increase revenues, and avoiding new parts from OEMs with high prices. He says these aircraft will still have good and reliable parts and components in AR condition that could be repaired and overhauled to support fleets and especially new operators in terms of cost benefit and safety. “Due to growing numbers of teardowns inducted during last two years, the prices are competitive, and there is currently a good opportunity to buy assets to prepare for a post pandemic market where I believe that demand will increase and will shortly reach or

superseding numbers pre-COVID.”

The growing number of teardowns require developing operating procedures that ensure efficient handling of the entire process from start to finish.

“You must have an experienced team, dedicated planning, management and control on all parts teardowns,” Filho points out.

“It is also crucial to evaluate which parts should be considered to keep and remove based on the market demand and price, but also the cost to stock and repair.”

Filho says these must align with proper certifications to proceed with teardowns and if possible, having dedicated hangar space to proceed with such an operation – “To have the teardown done by a third party could be costly, but it would all depend on the age and condition



Eigirdas Keblikas, VP Asset Trading and Leasing at Magnetic Trading

of the aircraft and top components.”

Jasper van den Boogaard, VP Airframe Acquisition and Trading at APOC and an ISTAT certified appraiser argues that for teardowns, there are fewer aircraft available today because the ones still in an airworthy condition are lined up for the summer season. “At APOC, we have good levels of stock readily available, we hear from the industry that obtaining parts has already become more difficult.”



Jasper van den Boogaard, VP Airframe Acquisition & Trading, APOC

APOC has an upcoming 737-800 teardown project that will be fully managed by APOC from day one and aircraft operators are able to acquire parts directly from the project. “Airframe part-outs are very labour-intensive because a lot of parts are taken off the aircraft, for this reason, we automate as much as we can with an in-house developed logistics system,” says van den Boogaard.

In the COVID period fewer aircraft flew and so aircraft that were parted out increased stock levels. Van den Boogaard observes that with an increased supply and lower demand, the prices of parts were reduced. “Just over a year ago, the demand for parts stabilised mainly because narrowbody aircraft were flying again and today even exceed pre-COVID levels. However, we see a slow trend in increased airframe part prices driven by stock levels



that are quite rapidly decreasing.”

### Inventory demand versus USM prices

At Ascent Aviation Services, they have seen a huge demand for both 737NG and A320 family aircraft teardowns over the past 12 months, as these are the most common aircraft types that are going to reclamation. They are also seeing A330's, 777's, 767's, E190's, and CRJ's going for teardown. Mike Scott reports that the most recent experience with Ascent's flightline and heavy maintenance projects being performed under the Class IV 145 Repair Station Certificate, they are finding that some parts are hard to come by, which is a result of most MRO's running at full capacity to RTS and check aircraft, so the demand is certainly there.

Natascha Greenier, VP, Teardowns at Magellan sees 737NG material driven by increased market recovery and the number of freighter conversions taking place. She says this requirement for aircraft conversions means fewer assets being available for teardown, increasing the demand on the market. “We see a similar curve for Airbus narrowbody USM. However, Airbus demand is more readily satisfied than that of the B737NG due to greater asset availability. The highly sought-after NG USM is holding its value compared to the Airbus narrowbody USM, given the demand for surplus material available in the aftermarket.”

Magellan is actively

evaluating Boeing and Airbus assets. Short-haul narrowbodies and their respective engines (V2500, CFM56-5B/7B) are of particular focus for Magellan. Greenier indicates that they are assessing opportunities in the CRJ900 and GE90-115B markets as well.

Clearly single aisle is the leader, with some resurgence now on the regional jets, monitors Jason Reed noting that 90% of the aircraft flying are within those sectors, with widebody aircraft slowly ramping back up. “However, we do not see increases in USM pricing, at least not at an across-the-board level. Individual parts may have their own increases due to minimal quantities available and long repair times,” he states.

In terms of further asset acquisitions, Flight Solutions Group are opportunistic buyers and frequently evaluate new product lines frequently. Reed says with that type of approach, you can steadily grow product lines into the portfolio – “The key now is looking forward at products about to peak or have just gone through their prime on both the airframe and engine side. The entire equation has changed today with the pandemic recreating completely different airline network demands.”

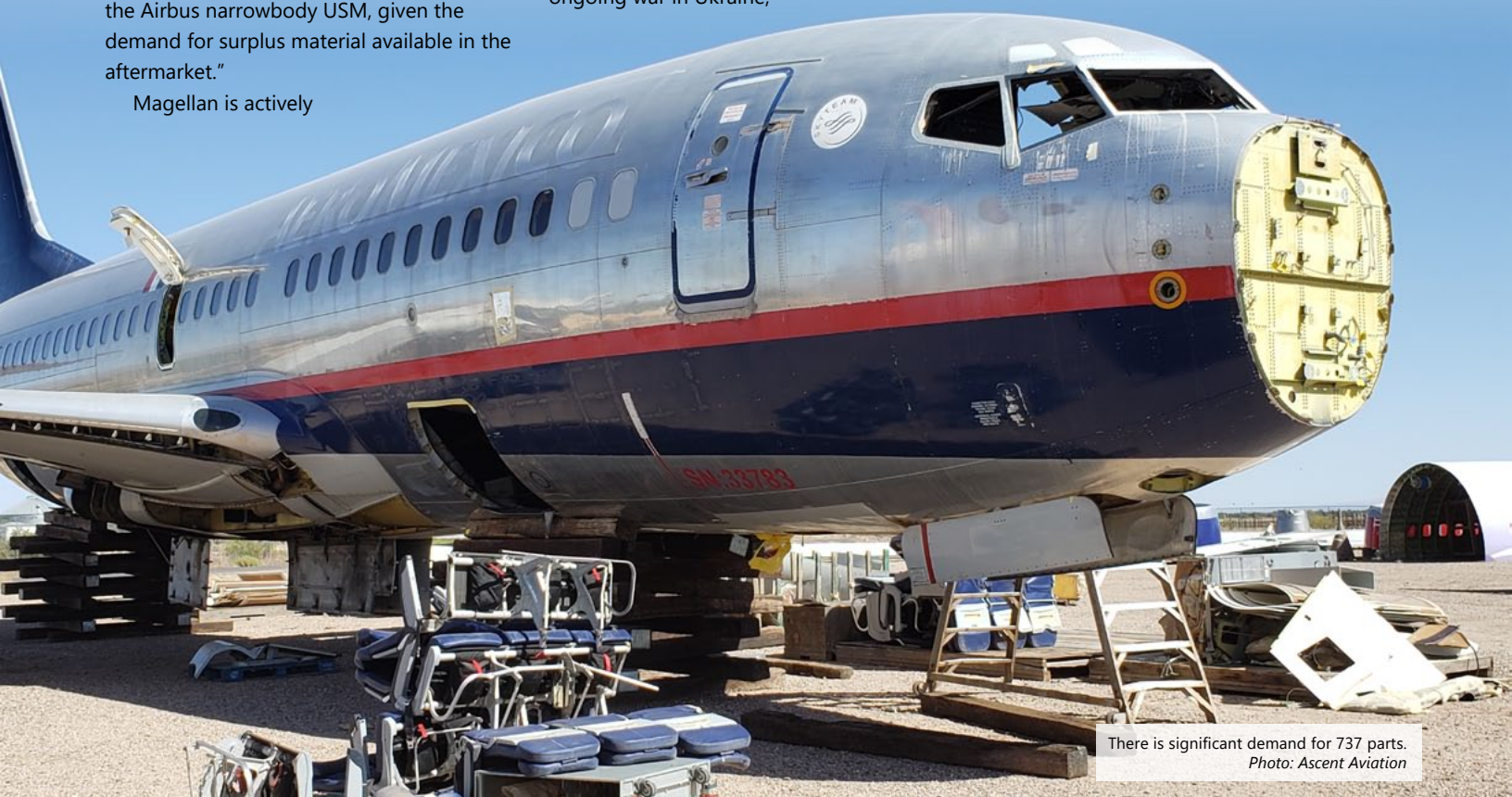
Despite the severe impact of the pandemic on the global aviation industry, as well as the uncertainties that come with the ongoing war in Ukraine,

Magnetic Trading also see increased demand for 737NG inventory as well as growing demand for A320 family too. Eigirdas Keblikas understands that these are slowly starting to push USM pricing up to the pre-pandemic levels especially with high level of inflation around the world.

“We believe that in next six to 12 month we will have way higher levels in the price of USM for narrowbody planes. Sunset assets like 737CLs or its engines are also increasing its value due to higher demand,” says Keblikas.

Vallair is very focused on A321, A330 family and in the future 777 teardown and maintenance. There is major emphasis on the A321 P2F programme, aligned with maintenance support on A320, 737 and A330 family at Vallair's own hangars in Montpellier and Chateauroux where they have invested significantly recently. “These will remain our focus, however we see a good market for the 737NG, but we will not be focusing on teardown,” reports Filho.

Filho lists the top components that are the most interesting in terms of ROCI (return on capital invested) including nacelles, landing gears, APUs, wheels and brakes, engines and LLPs items. Looking ahead, Vallair will continue to be focused on A321, A330, CFM56-5B and V2500 engines/ nacelles and on PW4000 Nacelles.



There is significant demand for 737 parts.  
Photo: Ascent Aviation