

Airline

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▲ During the three-year Covid period, the industry converted more narrowbody freighters than at any other time in its history

NARROWBODIES REMAIN THE WORKHORSES OF THE FUTURE

Full slots are not expected to dampen long-term prospects, despite current market realignments.

Kevin Rozario reports

The passenger-to-freighter (P2F) market has calmed down somewhat after the heady heights of 2021 when the need to supply Covid-related medical products, as well as a boom in e-commerce due to global lockdowns, triggered high demand.

During the three-year Covid period, the industry converted more narrowbody freighters than at any other time in its history.

With both of these drivers easing off in 2022 and into 2023, conditions have changed. “As the world’s economies begin to cool down so does the demand for narrowbody freighters,” said Robert T Convey, senior vice president – sales and marketing at Aeronautical Engineers, Inc (AEI).

Stephen J Fortune from Fortune Aviation Services said in an assessment last year: “Early in the pandemic, there was a rush to meet demand by stripping the interiors of passenger aircraft in order to carry freight loaded through the passenger door – not very efficient, but high yield.”



“DESPITE AN ECONOMIC SLOWDOWN, NARROWBODY CONVERSION RATES ARE EXPECTED TO INCREASE”

He added: “Soon thereafter, 737-800 lessors facing a loss of revenue in the passenger market sensed an opportunity in freighters. Speculative investors soon jumped in and, for the first time in the history of narrowbody freighter conversions, slots were sold out two to three years in advance.”

Data from IBA Insight indicates that the soaring pandemic demand for narrowbody conversions – led by the 737 family – peaked in 2021. However, numbers up to the third quarter of 2022 suggest another year of growth, albeit at a slower rate. The biggest growth was from the A320 family where demand has gone up steadily since 2020 and is still climbing.

Fortune says that in the six years from 2015 to 2022 there were an average of 58 conversions annually and that the 737 Next Gen had risen beyond expected demand. Meanwhile, the 757 is now declining and will wind up by 2025, according to the consultant.

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Fortune says that in the six years from 2015 to 2022 there were an average of 58 conversions annually and that the 737 Next Gen had risen beyond expected demand

Nevertheless, he says that, despite an economic slowdown, narrowbody conversion rates are expected to increase further.

Continuing momentum

A correction after the 2021 and 2022 surges is possible this year, but some factors will ensure continued momentum. While e-commerce growth has reduced, the pandemic led to more consumers buying from online platforms and this marketplace is here to stay due to its convenience factor.

IBA Insights expects that narrowbody aircraft values will climb throughout 2023. The company stated: “New narrowbody aircraft base values rose beyond the long-term trend into 2023, and lease rates are forecast to climb further this year. Overall, base values of new narrowbody aircraft have risen between 1.1 per cent and 1.6 per cent across 2022 and 2023.”



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At Dresden-based Elbe Flugzeugwerke (EFW), which has more than 25 years of experience in freighter conversions, both widebody (A330-200 and A330-300) and single-aisle (A320/A321) P2F conversions are offered. The latter were launched in 2015 as a partnership between ST Engineering, Airbus and EFW and, so far, the company has delivered 20 A321 conversions including one A320, and well above 20 A330s.

1. Worldwide e-commerce has been key in the demand for narrowbody conversions
2. Robert T Convey says the AEI B737-800SF's features make it a market leader



1

Anke Lemke, head of communications and political affairs at EFW, told *Airline Cargo Management*: “For single-aisle there was a conscious decision early on to focus on the A321 because it was a natural next-generation replacement successor for ageing Boeing 757 freighters.”

EFW is a Supplemental Type Certificate (STC) holder and leads the overall programme and commercialisation. ST Engineering is responsible for the engineering development up to the STC issuance and the conversion kit supply. Airbus is the OEM and provides technical data and development support to cover all the weight variants.

Lemke added: “In terms of A320/A321 P2F conversions there are advantages over other aircraft in this class, for example on lower fuel burn and operating costs, as well as a fully containerised lower deck.” The company has established a worldwide network of conversion facilities and overall production is targeted at around 30 aircraft per year, both single-aisle as well as widebody.

“NARROWBODY JETS WILL REMAIN A MAINSTAY OF CARGO OPERATIONS WITH A ‘SOLID’ GROWTH TRAJECTORY”

Vallair in France, whose solutions are designed to extend the life of its clients’ aircraft assets, offers cargo conversions as part of that service. The company has overseen five A321s to date, acting as a project/conversions manager, and it works with both EFW and Precision Aircraft Solutions. Once a sixth conversion is completed, Vallair does not envisage new projects until next year as it pivots back to its core MRO activities.

Patrick Leopold, director of trading and leasing at Vallair Assets, said: “The narrowbody market is quite crowded and many project slots are full, even though demand is easing off, while picking up on the widebody, heavy-haul side.”

However, ACM understands that Vallair has plans, eventually, to go back to the narrowbody P2F business by potentially taking on these conversions directly at its base in Châteauroux.

Leopold believes that narrowbody jets will remain a mainstay of cargo operations with a “solid” growth trajectory despite the competitive situation we are seeing today.

A two-sided picture

That current scenario is skewed, according to Convey at AEI. He said: “The slowdown is having an asymmetrical effect on each type of freighter, and for widely different reasons.

“The world fleet of B737-800 freighters now stands at about 160 units in service and is beginning to become saturated. This is evident by the type of operators that lessors are placing the freighter with. On the other hand, the A321, which was certified by EFW and Precision a few years after the 800s, is just now ramping up production and backlogs for both are out to two-plus years.”

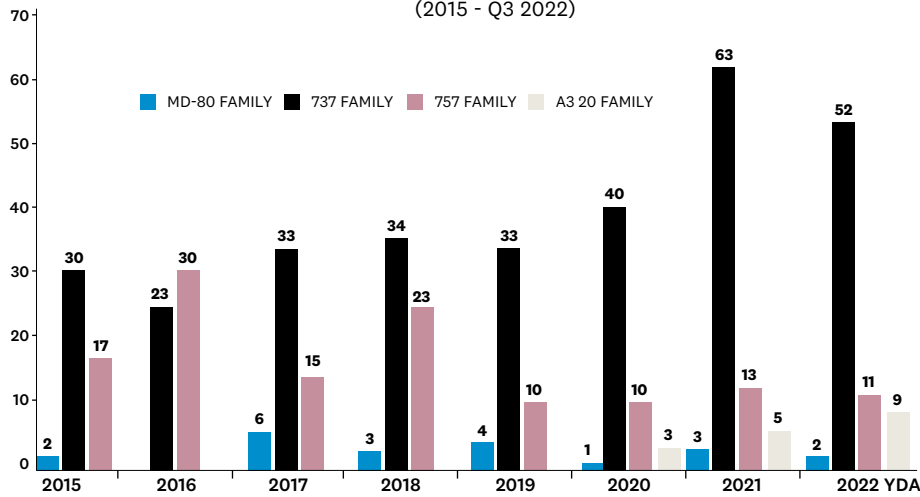
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NARROWBODY CONVERSIONS BY AIRCRAFT FAMILY
(2015 - Q3 2022)



“NARROWBODY FREIGHTERS HAVE A BRIGHT FUTURE IN CHINA’S AIR CARGO MARKET”

Convey added that demand for B737-700 and A320 freighters remains low and not likely to increase “in any meaningful way” in the future. He said: “We will see a cooling off of demand for 800 freighters in 2023 and 2024 while demand for the A321 will remain strong.”

AEI is currently converting a CRJ200SF, MD80SF, B737-300SF, B737-400SF, and two B737-800SFs. The company has high hopes for the B737 programme. “The AEI B737-800SF is the market leader and offers features that our competitors do not,” said Convey. “Features like ETOPS capability, converting Split Scimitar-equipped aircraft, the ability to convert all 5,000 line numbers, offering five supernumerary seats as standard, the list goes on. I see demand continuing for decades to come with the 800SF leading the way in terms of popularity – and the A321 trailing a distant second.”

Demand is also being rekindled in Asia. Two of AEI’s conversions above (the B737-800SFs) are for Singapore-based aircraft trader Transcend Aero Services. The deal represents the first P2F order Transcend has placed with AEI. The first aircraft began

modifications in December 2022 at Commercial Jet’s facility in Dothan, Alabama and the second was scheduled to start in March at its Miami, Florida facility.

Also in the US, 321 Precision Conversions – a joint venture between Aircraft Transport Services Group (ATSG) and Precision Aircraft Solutions – has made a breakthrough in China thanks to Sichuan

Aviation Industry Development Company (SAID) committing to the A321-200PCF product. The conversion and heavy maintenance is being done by SMECO in Chengdu, with further aircraft to follow in late 2023 and early 2024.

Gary Warner, president of 321 Precision Conversions, commented: “This is a major milestone in our programme as we induct the first article B-registered CAAC aircraft and introduce the A321-200PCF into domestic Chinese freighter operations.”

China’s air cargo market has plenty of growth potential and narrowbody freighters have a bright future there for both express/integrator cargo as well as general cargo services.

Data released from Airports Council International in April show air cargo volumes decreased by an estimated 6.7 per cent year-on-year to reach close to 117 million metric tonnes in 2022. That is 1.7 per cent below 2019 levels.

The decline can be attributed to ongoing geopolitical tensions and disruptions to global trade and supply chains. However, among the top 10 airports for cargo, five remain in Asia, and the rest are in the US, with Hong Kong International still leading the pack. [C](#)

▼ AEI sees demand for conversions continuing for decades to come

6.7%

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