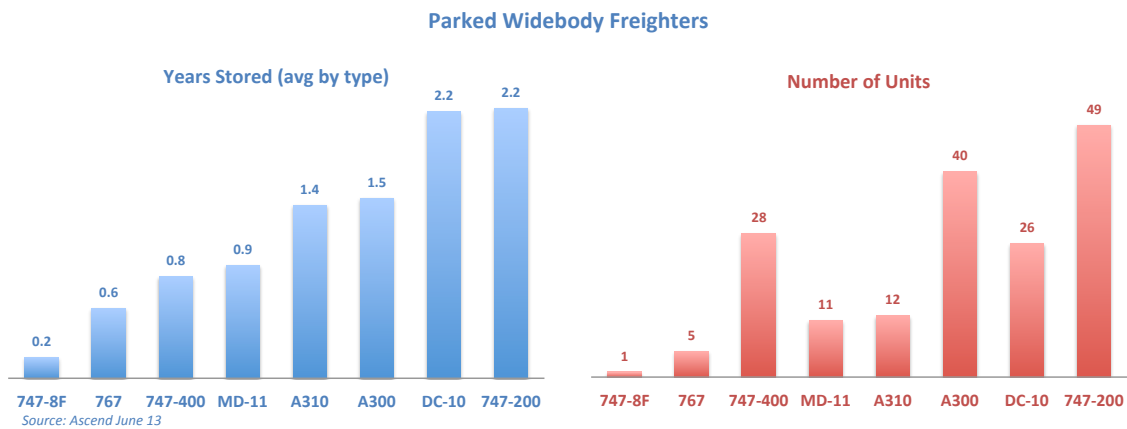


## Thirty-One Thousand Metric Tons of Idle Capacity – How will the Widebody Freighter Market ever recover?

When Michael Chowdry founded Atlas Air Cargo in the 1990s, he told aircraft lessors that no widebody freighter had ever been parked during an industry downturn, thereby supporting his thesis that widebody freighters (and Atlas Air Cargo) were solid investments. Chowdry’s assertion was essentially correct at the time, but unfortunately a far cry from today with 180 widebody freighters parked – a highly visible manifestation of a precipitous drop in global trade and the rise of freight transportation alternatives.

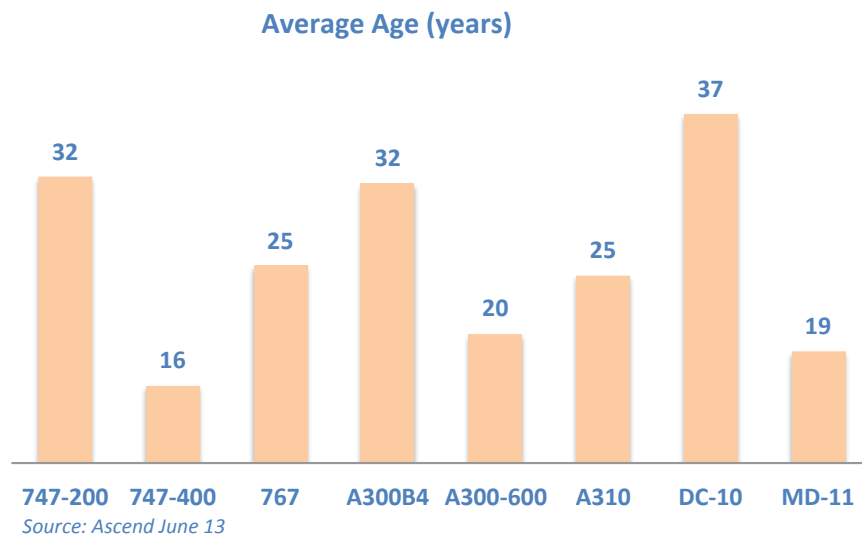
To put this idle capacity in perspective, 31,000 tonnes equals roughly the freight carried in one week of FedEx’s worldwide operations. Sounds like a lot, but this amount of capacity would fill less than one third of a trans-Pacific container ship on a single voyage. In the founding days of Atlas Air, the idea that rail, trucks and even ocean shipping would be viable alternatives to widebody freighters seemed farfetched. So does the industry have a catastrophic oversupply of widebody freighters? The answer depends on where you sit.

For investors and lessors in those idle widebodies, the picture is bleak. The stored widebody freighter fleet has been on the ground for an average of 1.7 years. Many of these stored aircraft will never fly again due to age, high fuel burn and excessive maintenance costs (A300B4, A310, 747-100/200/300, and DC10).



For most aircraft types, there is little hope in the part-out market to recover even a small percentage of the investment as the demand for older generation engines evaporates. For example, what does one do with four run out CF6-50s or JT9Ds from their parked 747-200 freighters (49 in total, 156 engines)?

However, for the operators seeking additional widebody lift, the view is brighter with a wide selection of relatively young assets at attractive lease rates. A300-600s, MD11s and 747-400s are readily available at lease rates that are 40 to 50% less than a few years ago and as indicated in the chart below still have substantial remaining useful life. The cost to return a widebody freighter to service can be challenging, but for those units with sufficient green time, lessors should, in theory, have an opportunity to earn at least some revenue for an expensive asset. Unfortunately in a market with little or no growth and increasing competition from widebody twin bellies and ocean transport, few operators are looking to add capacity and attractive freighters will remain on the ground until a meaningful airfreight recovery takes hold.



For the aircraft manufacturers and those freighter conversion providers who can afford to take a longer view, patience is the order of the day. Of the 180 stored widebody freighters, only 40 to 50 are likely to go back into service. Given the typical OEM forecast widebody freighter requirement for sixty or more aircraft per year, this oversupply represents less than one year of growth. Assuming that the OEM forecasts are not wildly inaccurate and that international airfreight will eventually rebound, new orders for 777LRFs and 747-8Fs will resume as will conversion demand for 767-300ERs, A330s and possibly the 777BCF. Now, if we could only do something to improve the outlook for global trade.

*Fortune Aviation Services provides its clients with timely and accurate guidance to achieve financial goals or profitable investments in commercial freighter market and related activities. Clients include investment banks, leasing companies, airlines, and MROs.*

[SFortune@FortuneAviation.com](mailto:SFortune@FortuneAviation.com)

+1 202-652-4200

[FortuneAviation.com](http://FortuneAviation.com)