



ALLIANCE AVIATION BUYS 21 FOKKER JETS FROM LUFTHANSA GROUP

News / Airlines, Finance



Alliance Aviation Services has bought 21 Fokker jets from Lufthansa Group for US\$15 million (AU\$20.7 million) in cash and shares in a move that will give it spare parts to help its fleet run longer, expand operations into Europe and, potentially, sell the popular aircraft to operators like Qantas and Virgin Australia.

Australia's fleet of regional aircraft is ageing, given that Fokker F50s, F70s and F100s haven't been produced since 1997. The Saab 340s used by Regional Express (Rex) were last produced in 1998 and Bombardier no longer produced versions of its Dash-8s smaller than the 74-seat Q400.

Fly-in fly-out and charter operator Alliance said its purchase of 16 F100 and six F70 jets from Lufthansa subsidiary Austrian Airlines would allow it to preserve the economic life of its existing fleet and manage the supply and cost of parts over the next eight to 10 years.

Lufthansa will hold a 12 percent stake in Alliance to be held in escrow for 38 months once the deal is completed.

Alliance said it would lease some aircraft to carriers in Europe during peak summer demand and also to cover unexpected maintenance by other airlines.

It could also sell some aircraft to other operators.

"For Austrian Airlines, selling the entire fleet to one of their existing customers and the world's largest operator of Fokker aircraft in one transaction was a clean and attractive proposition," Alliance managing director Scott McMillan said.

The Alliance deal came as John Moore, the global head of sales for turboprop manufacturer ATR, said the ageing of Australia's regional fleet combined with Bombardier's exit from the smaller end of the market meant his company's prospects in Australia were strong.

New Fleet Years Away

"A lot of those aircraft are quite mature in age, over 20 years," he said. "At some point, the economics will drive those aircraft to be replaced, given there will be issues with maintenance and availability of spare parts."

In 2013, Rex purchased the entire Saab 340 spare parts holding of U.S.-based Pinnacle Airlines, giving it more than 215,000 items to help preserve the life of its 34-seat aircraft.

Rex deputy chairman John Sharp last year said it would be another 10 to 15 years before the company had to move onto a new fleet.

He said the ATR42, which seats 50, was probably the most viable option in the market because Rex needed small aircraft to preserve the frequencies required by business and government travellers.

Mr Moore said there were no plans to stop production of the ATR42 even though there were far fewer orders for it than the larger ATR72.

To make its products even more attractive to customers, ATR has introduced a "cargo flex" option with a kit on the larger ATR72 that can be fitted within hours, lowering passenger numbers from 72 to 44 but fitting in far more cargo.

PNG Air has seven of the aircraft on order, with its first having been delivered.

PNG Air chief executive Muralee Siva said the aircraft would be flexed according to demand.

"I think there could be opportunity for that in the Australian market," Mr Moore said. "There are a lot of communities where there could be seasonal variations between passenger demand and cargo demand. Some communities are isolated and have fairly high demand for cargo airfreight. The beauty is the flexibility."

He said the kit could be retrofitted onto aircraft, but so far there had not been talks with Virgin about doing so, even though Virgin was growing its freight business.

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