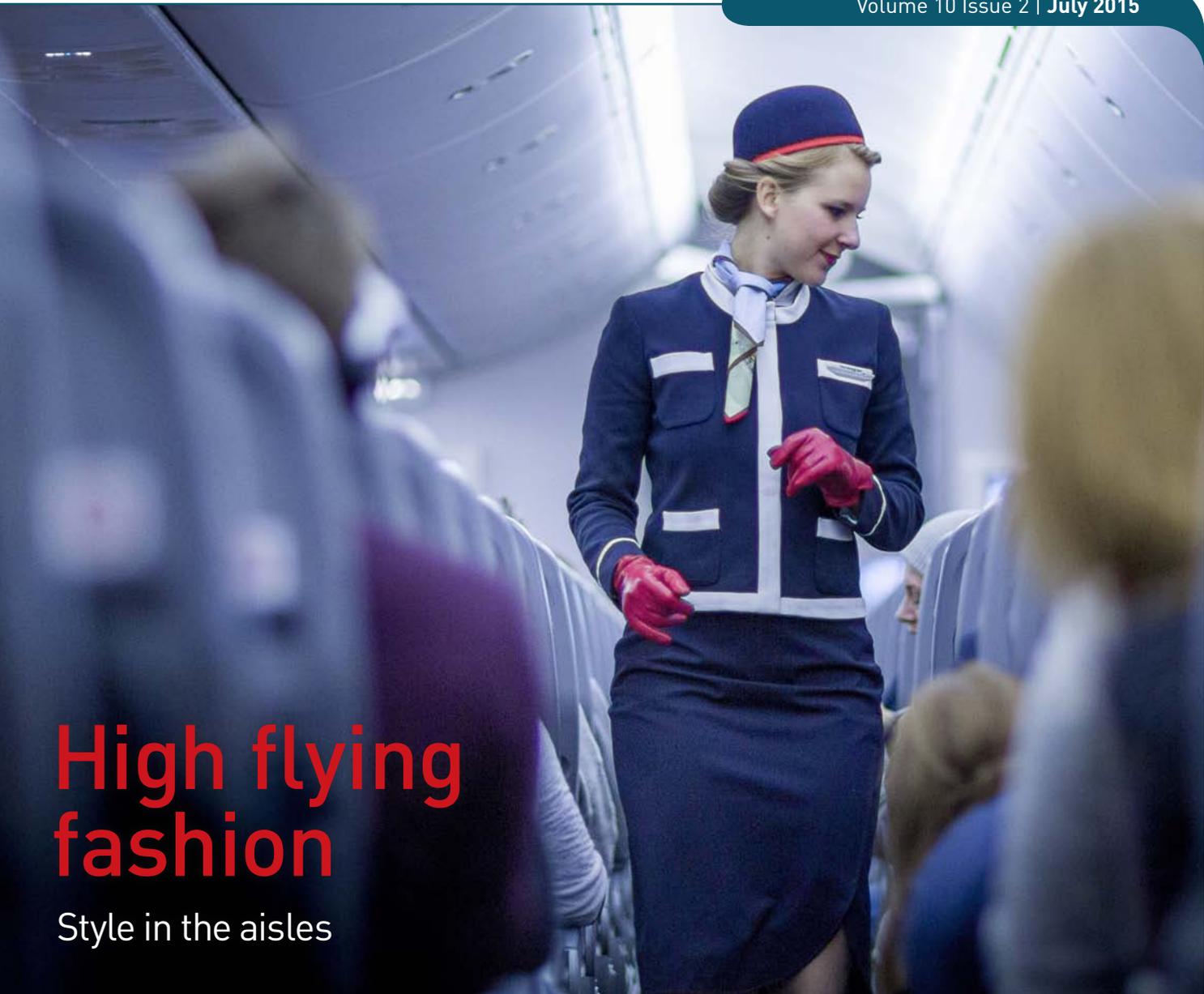


LOW COST & REGIONAL **airline business**

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High flying fashion

Style in the aisles

Romanian pursuits



V for Value



Retail therapy



Route planner



Propelling ahead

The ATR72-500 is the second generation variant of the popular ATR turboprop programme. While the -600 series has superseded the older version, the 72-500 continues to hold its own. **Oliver Stuart-Menteth** takes a closer look

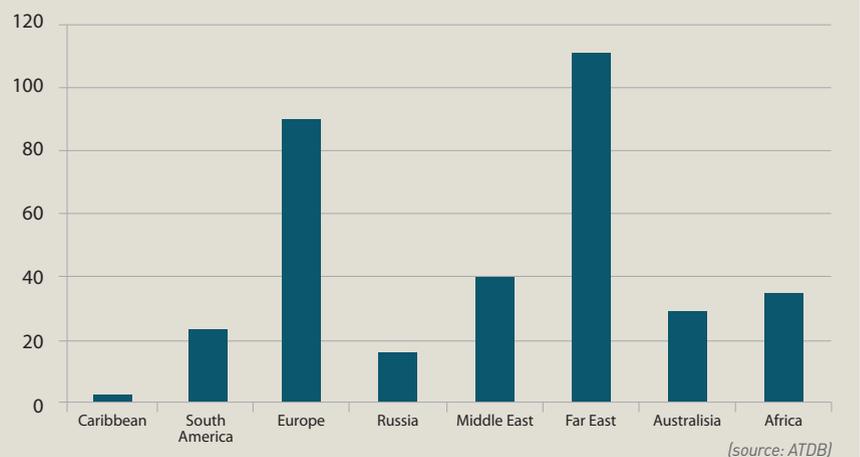
The ATR72-212A (or the -500 as it is commonly known), a 4.5m stretched derivative of the ATR42-300, first flew on 19 January 1996, with first deliveries occurring on 24 July 1997. The differences between the ATR72-200 and the -500 are primarily represented by the engines, which were re-rated from the Pratt & Whitney PW124B to the PW127M, the installation of a Scimitar 6 bladed propeller (decreasing ambient and external noise levels), and an increased MTOW of up to 23,300kg.

As a consequence of the heavier powerplants, the operating empty weight (OEW) increases by approximately 5%, meaning there is a slight decrease in maximum passenger range. An altered rear galley complex permits the carriage of an additional two passengers, resulting in a typical seating capacity of 68. The -500 was eventually superseded by the -600, which first flew in 2011.

There is a high concentration of ATR72-500s operated by small Asian regional carriers (photo: ATR)



Chart A: ATR 72-500 geographical split



A total of 362 aircraft were produced with the last S/N 1062 rolling off the production line in Toulouse in 2012. Five aircraft have since

been parted out, while 33 are currently in storage. During production, the delivery rate of the aircraft was progressively ramped up. This resulted in over 50% of the fleet being manufactured in just four years between 2008 and 2011. Consequently, the average age of aircraft in the fleet is just over 8 years, presenting ATR with challenges when marketing the -600, a variant that currently has over 80 operators.

The -500 fleet is heavily concentrated in Asia, and is used extensively by small regional carriers that typically operate no more than one or two aircraft on networks with limited infrastructure. Elsewhere, and to the great disappointment of ATR, the -500 has failed to return to the North American market after American Airlines phased the aircraft out after undergoing a restructuring process. To illustrate this, *Chart A* breaks down the geographical split of the ATR 72-500 fleet.

The ATR72 has witnessed continuous high demand, with annual sales figures consistently exceeding those of the smaller ATR 42. Its main competitor, the Bombardier Q400, has not recently fared as well, as illustrated by *Chart B*, which shows historical orders by year.

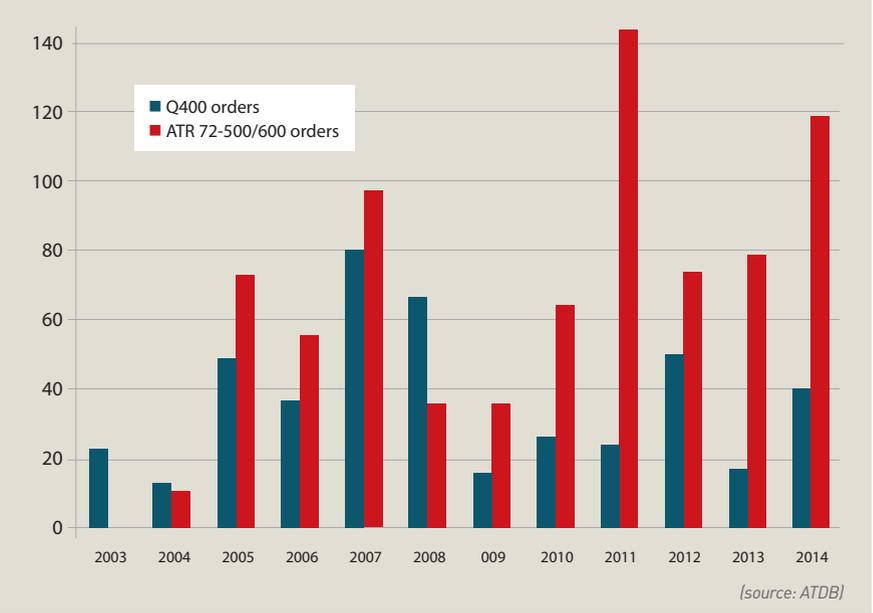
Although the ATR aircraft have a slower cruise speed compared to the Q400, the difference in sector time over a typical 300-400nm route is negligible. With air traffic control delays and long taxi times at hub airports becoming increasingly common, this small advantage can be quickly eroded. The Q400's superior performance does, however, become advantageous when tackling runway limiting take-off weights or any obstacle issues.

CURRENT AND FUTURE MARKET OUTLOOK

The market is characterised by sale and lease back (SLB) transactions, with owners determining that cash transactions do not generate the pricing levels required. Airlines offering SLB deals will find strong demand for these assets, but if offered as a stand-alone transaction, pricing is likely to be very soft. This is predominately as a result of the small number of financiers who are willing to support used turboprop deals and investors who are willing to invest with no securitised revenue stream. Leasing companies such as NAC and Elix have been heavy investors, often completing deals in rapid succession.

The number of aircraft in storage has recently swelled as a result of the turmoil in the Russian markets, which witnessed both UTAir Ukraine and UTAir Express shedding

Chart B: Historical orders by year



-500 models, some of which were returned early to lessors, while a number are currently for sale. In addition, at least 10 ex-Kingfisher aircraft have been in storage since October

2012, although it is understood that the high refurbishment costs and ongoing legal action will not permit these aircraft to return to service in the near future. ■

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Chart C: Current and future market values

Aircraft type ATR 72
Series 500
Engine type PW127M

Date of manufacture	Current market value (\$ million)	Base value (\$ million)	Future values inflated at 1.5%				
			2015	2017	2019	2021	2023
2012	14.50	16.57	15.44	13.63	12.26	10.91	9.47
2010	11.93	14.11	13.29	11.95	10.64	9.24	7.88
2008	10.15	12.39	11.77	10.47	9.10	7.76	6.69
2006	8.91	11.12	10.39	9.02	7.70	6.64	5.46
2004	8.00	9.67	9.00	7.68	6.62	5.44	4.17
2002	6.96	8.34	7.68	6.63	5.44	4.17	2.89
2000	6.00	7.18	6.64	5.45	4.17	2.90	1.80
1998	5.17	6.08	5.47	4.19	2.91	1.81	1.14

Aircraft specification assumes MTOW 21.3 T kg, PW127M engines
 ISTAT value definitions utilised

(source: ATDB)