

Analysis: Where have all the Fokkers gone?

06/07/2015



From 1985 up until 1997, a year after the aircraft manufacturer Fokker declared itself bankrupt, the company produced about 340 passenger aircraft. These aircraft – the Fokker 50, Fokker 70 and Fokker 100 – were sought after by airlines for their efficiency and sturdy engines.

“The F50 turboprop was very successful in operational service,” says Nick Heard, a pilot at Cathay Pacific who flew the Fokker 50 around Europe for several years. “It was extremely reliable, and was not prone to the icing problems that affected its main competitor at the time – the ATR 42 and 72.”

The manufacturer may have gone bust in the 1990s but its aircraft continue to be popular now. Research carried out by *Airfinance Journal* shows that about 310 of the 340 Fokker passenger aircraft produced are still in operation – and at least 60 airlines can boast of having Fokkers in their fleet. Fokkers may have an average age of about 23 years, but industry sources state most of them have not yet reached the mid-way point of their design life.

Despite this, there have been a handful of European airlines that have recently announced their intentions to phase out the Fokkers. Carriers including Dutch regional airline KLM Cityhopper, Portuguese regional carrier Portugalia Airlines, Austrian Airlines and Air Iceland are replacing their Fokker fleets with other regional aircraft.

Phasing out the Fokkers

In February Boet Kreiken, managing director of KLM Cityhopper, told *Airfinance Journal* he intended to phase out the carrier’s fleet of 19 F70s.

“The Fokkers are quite attractive; they are sturdy aircraft and have a relatively low depreciation. But you do have to consider your maintenance and engine overhaul costs,” says Kreiken. The Dutch carrier is one of the Fokker’s top customers, owning a fleet of nearly 20 F70s.

“It’s all about the number of cycles left on the engine and what the buyer intends to do with the aircraft,” says Kreiken. He adds: “If you overhaul the engines you have a fantastic aircraft but the vital issue is the life-cycle spans of the engines. Fokkers are cheap, efficient and good aircraft, but you have to invest in the engines for the cycles.”



At the end of March the airline placed a firm order for 15 E175 and two E190 aircraft to replace its fleet of 19 F70s, the smaller sister of the F100. The deal included options for an additional 17 Embraer aircraft.

KLM is not alone. Austrian Airlines said in mid-March that it intends phasing out its Fokker fleet and replacing the jets with E195s that are being deployed by Lufthansa CityLine. The Austrian carrier intends beginning the fleet-renewal programme in autumn 2015 and finishing it by 2018. Portugalia also announced last year that it is looking to phase out its fleet of six F100s.

International appetite

Although some of the European airlines are phasing out the Fokkers, the international demand for the aircraft has not waned. Last January Fokker Services announced it had placed 36 aircraft in 2014, including 13 F50s, 10 F70s and seven F100s. Leases were extended on two F50s and four F100s.

In 2014 the appetite for the Fokker mainly came from the Latin American market. Insel Air, based in the Netherlands Antilles, added four F50s to its fleet, bringing up its fleet to seven F50s. It also took two F70s. Blue Wing, an airline based in Suriname, took delivery of two Fokkers, originally purchased from KLM Cityhopper in the 1990s. Airlines in Mexico and Peru also took delivery of Fokker aircraft.

In Africa, four airlines added a total of six F50s to their fleets. Bek Air in Kazakhstan added two F100s to its fleet, while Dutch airline Denim Air put two F100s on its air operating certificate. Carriers from Papua New Guinea and Indonesia took F70s and renewed lease terms for them. In Australia, Virgin Australia Regional Airlines extended four F100 leases, while Alliance acquired three F70s.

The Fokker's heir

Airlines may be starting to phase out their Fokkers, but it begs the question: what is the best aircraft to replace the Fokker with?

Jonathan McDonald, an analyst at IBA, thinks that Embraer offers the most suitable replacement.

"The CSeries from Bombardier feels a little bit too big. Bombardier haven't had a lot of luck recently in terms of campaigns and the CRJ700 is virtually dead now in terms of new sales. And the sales of the CRJ900 and 1000 are sluggish to say the least.

"That's not to say that the aircraft isn't any good but Embraer have really hit the spot, especially with their 175s, 190s and 195s. The 190s and 195s seem to be especially popular aircraft among the Lufthansa Group, and obviously Lufthansa's own regional affiliate has successfully inducted their 190/195s into their fleet. They seem to be working very well for them."

Kreiken agrees with McDonald.

"E175s offer the best prices, but the Q400s are also very competitive," he says. "We were in long discussion about the Q400s. It was really tight between the two because of the destination mix they replaced for the Fokker 70s, which is one hour-plus flights. The Q400 is also a very attractive aircraft, but the E175s suited us best in the end."

Some carriers replacing their Fokker fleets warm to the Q400s. Sigfus Karason, chief financial officer of regional airline Air Iceland, tells that the carrier is likely to replace its five F50 aircraft with three Q400s between 12 to 14 years old. Karason adds that he looks to sell the F50s, but is not in a rush to do so, valuing them at about \$1.3 million to \$1.4 million each.

"The best aircraft to replace the F50 are the ATR 72 and Q400s. The Q400 is a different aircraft to the ATR – it's much faster, reasonably bigger and more costly," says Wim Nagtzaam, sales director at Mass Lease, a lessor that intends phasing out its Fokkers, replacing them with a mixture

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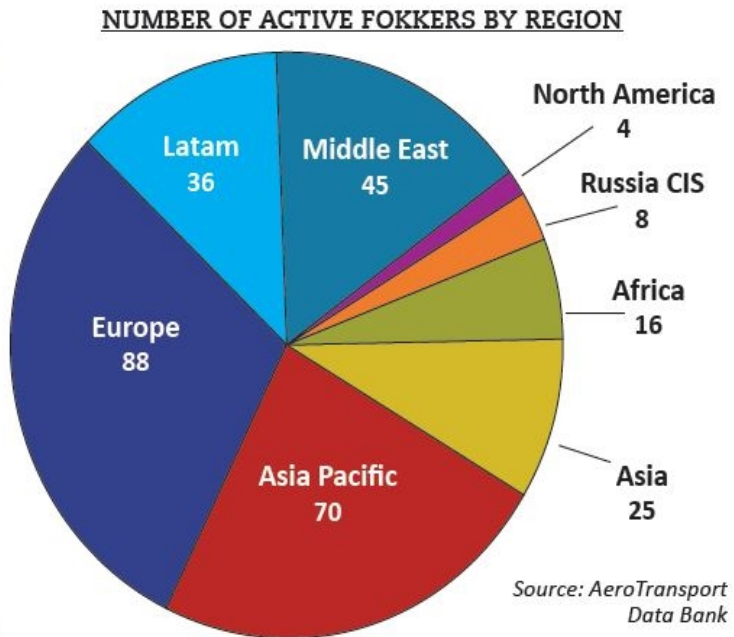
of regional jets. *Airfinance Journal* values the ATR 72-600 at \$20.2 million and a Q400 at \$21.2 million.

“A strong point for Fokker, and not as much the strong a point for the ATR 72, is rough field operation. With F50s, you can fly rough field with few difficulties in a similar way you do on the Embraer Dash 8 series, but it’s not the ATR’s strong point,” he adds.

Mass Lease sold nine Fokkers to carriers in 2014. Three F100s were sold to Nigeria’s IRS Airlines, three F50s to Coral Coast, two F100s to Air Panama and one F100 to Montenegro Airlines. Mass Lease has good customers for the Fokkers in Kazakhstan, as well as in the Caribbean and Central America.

TOP 20 FOKKER OPERATORS	
Airline	Number of aircraft in operation
Alliance Airlines	27
Virgin Australia Regional Airlines	19
Austrian	18
KLM Cityhopper	17
Amapola Flyg	13
CityJet	12
Avianca Brasil	11
Iran Aseman Airlines	11
Network Aviation Australia	11
Air Panama	8
Republic of Singapore Airforce	7
Avior Regional	6
Bek Air	6
Naft Airlines	6
PGA Portugalia Airlines	6
Qeshm Air	6
Air Iceland	5
Air Nuigini	5
Helvetic Airways	5
Iran Air	5

Source: AeroTransport Data Bank



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Fokker’s future

With the aircraft ageing, one possibility is that many of the Fokkers will eventually get parted out. McDonald says that some are getting parted out already.

“F100s get parted out. The operators that take them on will probably buy a tranche of eight to 10 aircraft and they’ll have a utilization or business plan in mind for them. For example, they may think it’s economical to operate them for eight to 10 years, and what they’ll probably do is acquire 20% of those aircraft deliberately for spares so that they can help support the use of the other aircraft. That sort of business plan is quite common.”

McDonald thinks it is difficult to know what will happen to the KLM, Austrian and Portugalia aircraft. “There is quite a spread on where these airplanes are going; it’s not like they’re all going to the same country. There is a reasonable spread, but it’s unlikely you will get someone who is going to say they want to take all 50 of the aircraft some of the European carriers are phasing out.”

He adds: “Fokkers tend to trade in small tranches, meaning that there’s a good chance that a significant proportion of those aircraft will get placed for further use. If, however, a big part-out company comes along and takes the whole lot, the aircraft will be scrapped.”

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