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Air Cargo Operations



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ACIA Aero Leasing delivered two ATR 72-500 bulk freighters to Thailand's Pattaya Airways in April and May 2024.



# Staying nimble

The appetite for leased regional freighters is growing and expanding options for operators. At the same time, it is facilitating their growth in the cargo sector.

**The demand** for freighters offering between 2.1 to 9.2 tonnes appears strong, with operators seeking to fulfil various roles – from transporting general cargo to urgent charters. So far, much of that capacity has been soaked up by Saab 340s and ATRs.

Abelo, a lessor specialising in the turboprop segment, recently delivered a newly converted ATR 72 to Renegade Air in Kenya to meet the growing demands for cargo operations, reflecting the robust expansion and evolving requirements of the Kenyan market.

Petrus Aviation is reportedly in discussions to arrange an ex-Afrijet ATR 75-500F lease to Estonian operator AirEst.

ACIA Aero Leasing recently delivered two

ATR 72-212 Large Cargo Door (LCD) freighters to Australian air charter operator Aerlink, having delivered two ATR 72-500 bulk freighters to Thailand's Pattaya Airways in April and May 2024 respectively.

Mark Dunnachie, Senior Vice President Commercial at ACIA, says the market is clearly growing and he expects strong demand for the ATR platform, both as bulk freighter conversions (BFCs) but also incorporating the LCD conversion.

In addition to the ATR leases in Thailand, Australia and Europe, ACIA sees an active pipeline with growing demand across the globe and a significant replacement market opportunity in Canada and the USA.

## MONITORING DEMAND

For the turboprop market, lessor specialists TrueNoord see demand primarily in the bulk freighter category, a space currently and largely occupied by the ATR 72.

Richard Jacobs, Chief Commercial Officer, suggests that the upcoming freighter conversion of the DHC-8-400 may change this – a development that TrueNoord will be monitoring closely.

Recent data from AviationValues shows significant (potential) feedstock in the regional freighter category.

From the De Havilland range, around 564 Dash 8 Q400s are still flying and five Q400Fs are in the market. There are 223 Dash 8-300s and only two -100Fs flying.

Following the recent retirement of 18 Saab 340s by Loganair, the type looks increasingly attractive for conversion. The data shows 26 Saab 340Fs in operation and 187 in passenger



configuration. Additionally, 30 ATR 42-300Fs (84-passenger) and around 180-passenger ATR-500 series aircraft are still out there – although still very popular on the passenger market.

TrueNoord is also watching the E190/195 conversions with interest and sees good demand in the market for this type.

“Since these are planned to become containerised transportation, much will depend on the large freight forwarders,” says Jacobs.

In the current market the E-Freighters will be competing against the larger and older 737 versions, of which there are still available aircraft.

“But they will have measurable fuel burn disadvantage compared to the E190/195, so there is great potential here,” Jacobs adds.

Dunnachie reckons the ATR 72 is a perfect aircraft for general freighter requirements and sees demand for both standard bulk freighters and LCD converts.

“It really depends on the mission requirements,” he says.

In August, ACIA started the conversion of its first ATR 72-600 LCD. The project will be undertaken by Empire Aerospace in Idaho, USA, and the conversion and final certification will be completed by the first quarter of 2025.

ACIA has acquired five ATR 72-600 passenger aircraft for this conversion and the first, MSN 1239, a nine-year-old airframe was previously operated in Madagascar.

Over the last 18 months, ACIA has delivered eight ATR 72 freighters to customers, including six LCDs. The lessor has seen demand for the 72-600 LCD grow over time as operators seek to renew their fleets with the latest technology. Its sister company, IPC Conversions, owns the ATR conversion supplemental type certificate (STC).

ACIA is also following the developments at Embraer closely with regards to the E190 passenger to freighter conversion.

“We feel the jury is still out on how the E-Jet will be able to carve out a niche for



Demand in the bulk freighter category is largely occupied by the ATR 72, according to Richard Jacobs, CCO of lessor specialists TrueNoord (inset).

itself between the most cost-effective regional solution, being the ATR, and an abundance of cheap, albeit larger capacity B737s,” says Dunnachie.

ACIA is looking to engage with the OEM to discuss such opportunities.

#### LEASE RATES

With secondary market aircraft in high demand in their passenger role, Jacobs notes that fewer owners will contemplate a conversion.

“This will of course have a knock-on effect of increasing lease rates as demand is high and availability is low,” he says. “Although this is not exclusive to the freighter sector, it’s a trend being seen in the passenger arena too.”

Dunnachie feels that the ongoing parts shortage continues to impact aircraft across all platforms – and with particular concern around engines and landing gear availability.

“Whilst we manage the challenge as best we can, there is no doubt it is creating a perfect storm as demand for capacity, both passenger and freighter, is high.”

He believes this market imbalance is having an impact on rising lease rates for both regional passenger and freighter aircraft.

“Higher interest rates are also impacting the cost of leases,” Dunnachie adds.

#### SPECIALISED AIRCRAFT

ATR helps lessors improve asset investment in freighters and supports their placements with airlines in several key ways.

Firstly, the OEM actively contributes to the market ecosystem by fostering connections among different stakeholders, including lessors and airlines.

“This helps maintain market liquidity and facilitates the smooth placement of aircraft,” says Guillaume Huertas, Head of Leasing Asset and Freighter at ATR.

Every year, ATR sees numerous conversions, which address both the growth in demand and the replacement of older aircraft being phased out.

As Huertas explains, this continuous cycle ensures that the market remains dynamic and well supplied with efficient aircraft.

Accordingly, ATR also supports lessors by providing expert advice and connecting them with potential airline customers.

“This helps lessors find suitable placements for their aircraft, enhancing their investment value,” says Huertas. “We also contribute to the appeal of our product by manufacturing new, latest-generation aircraft and keeping the in-service fleet updated through various upgrade services.”

The outlook for aircraft availability for potential conversions of used ATRs is limited, suggests Huertas, which he feels highlights the attractiveness of the product.



“ A significant shift has occurred, with an increasing number of lessors now entering the market. ”  
 Gilles Collaveri, Business Development Director, ATR

Back in 2017, FedEx placed an order for 30 ATR 72-600Fs, of which 20 have so far been delivered.

The ATR -500 series, for instance, is still popular on the passenger market.

“Although the market for aircraft conversions is tight, there are still some opportunities to acquire already converted freighters or passenger aircraft that are around 10 to 15 years old, which would be good candidates for conversion,” says Huertas.

Reportedly, the appetite on the lease market for factory-built ATR freighters is also growing.

Historically, the ATR freighter market was predominantly driven by airlines, but ATR now sees a noticeable increase in interest from lessors.

In 2017, FedEx placed an order for 30 ATR 72-600Fs with an option for 20 more, and so far more than 20 have been delivered.

Currently, FedEx is the only customer for the type, but according to ATR other logistics and transportation companies are recognising

the benefits of these specialised aircraft over converted ones.

**OPERATIONAL BENEFITS**

The -600F has over nine tonnes of payload capacity and Huertas says this design advantage is crucial as regional freighters become increasingly important in the networks and fleets of transportation and logistics companies, especially with the rise of e-commerce.

ATR claims that purpose-built freighters like the ATR 72-600F offer numerous operational benefits compared with converted aircraft.

They feature the latest generation avionics and a front large cargo door. Additionally, the rear door is optimised for freighter operations and the wide cross-section facilitates the loading of standard Unit Load Devices (ULDs).

The aircraft finance market for smaller regional carriers looking to expand to cargo operations with ATR freighters remains largely consistent with past trends, with some notable developments.

Gilles Collaveri, Business Development Director at ATR, says the freighter market was predominantly driven by airlines

directly purchasing aircraft. However, a significant shift has occurred, with an increasing number of lessors now entering the market.

“This change has broadened the financial solutions available to airlines, allowing for more flexibility in acquiring aircraft,” Collaveri says.

He notes that airlines are increasingly diversifying their acquisition strategies and opting to lease aircraft more frequently than before.

“This trend mirrors what is observed in the passenger aircraft sector as well,” he says.

Regionally, ATR cites several examples highlighting this shift, including the Air Link lease in Australia, while in North America, Canadian North has seen similar leasing arrangements.

“The market for used cargo aircraft, particularly in regions like Kenya, shows significant potential,” says Collaveri.

“Operators like Renegade and lessors such as Abelo are active in the Kenyan market, indicating strong opportunities for growth.”

Collaveri adds that he has seen this trend extending to the Nordic and Baltic regions, where there is also a growing interest in leasing ATR freighters.