

Pemco/STAECO venture wins Chinese 737 orders

Its joint venture with STAECO in Shangdong (the 50/50 joint venture between TAECO and Shangdong Airlines) has enabled Pemco Aviation to corner a number of 737-300 freighter conversions for the Chinese market recently, according to its vice president commercial business development, Kevin Casey.

Two of the aircraft have been recently delivered to Donghai Airlines, while two for Okay Airlines are currently under conversion. One of the Donghai aircraft is already flying for China Postal, while Okay will be flying its -300s for FedEx.



Kevin Casey

“In both cases, the aircraft were sourced from existing Chinese fleets, and so were affordable and did not fall foul of the ban on importing aircraft more than 15 years old,” says Casey. “But if we had had to bring them to the US to do the conversions rather than sending them to STAECO, I don’t know what the regulatory position would have been.”

Pemco previously converted two 737-300s for China Postal, and two more into Quick Change versions for China Southern, which are also flying for China Postal. In addition, it converted the six 737-300s in the Yangtze River Express fleet, and in all has converted over 50 737-200s and -300s for customers around the world.

Casey reckons there is a demand for a lot more regional or domestic 737 freighters within China, but says supply and value of suitable conversion candidates remains a restriction on the market. He thinks that with the Chinese government encouraging the PRC’s passenger airlines to renew their fleets, more Chinese-owned 737-300s will be available for conversion soon, however.

Elsewhere in Asia, there is a block of 39 737-400s that Malaysian Airlines is looking to retire from its fleet. Some of these are going to AirAsia to operate domestic routes, but the rest would make tempting conversion candidates, Casey reckons.

“I think they originally hoped to sell the whole fleet to an integrator like FedEx, but now that FedEx have chosen the 757-200 to replace their 727-200s, they may be prepared to sell the aircraft individually,” he says.

Pemco is well-placed to pick up this business on two counts. Firstly it has a joint venture agreement with Malaysia Airlines to perform 737 conversions, and secondly it has launched what is so far the only 737-400 conversion programme, converting one to full freighter and two to combi configuration for Alaska Airlines in the past year. Two more combis are due to be inducted shortly.



Donghai Airlines received two STEACO/Pemco converted B737's this year.

Malaysia Airlines' financial troubles have delayed the joint venture somewhat, however, though Casey says the two companies are now back in discussions, and that Malaysia has sent crews to Pemco for training.

He adds that two European customers have also shown interest in the -400 freighter, and he expects Quick Change versions of the aircraft to be in strong demand in coming years. "Two thirds of our early -300 conversions were for QCs and I think the same will be true of the -400," he says.

He is confident that either version of the 737 will be able to hold its own against the A320 conversion just announced by Airbus (see separate story). "Airbus is predicting a demand for 450 of the aircraft," he notes. "If they see such a huge demand for an aircraft as expensive as the A320, then the 737 clearly has huge potential."

He admits that airlines will be influenced in their choice between the two types by what they have in their passenger fleets, but claims that 737 residual values are half those of the A320, with conversion costs to match. He points out that the slightly wider A320 fuselage will be of no benefit when carrying 96 inch pallets for interlining. – *Peter Conway*