



# Answering when opportunity knocks

Asian Aviation Editor **Matt Driskill** sat down virtually with Carst Lindeboom, director for Asia Pacific at specialist lessor TrueNoord. The two discuss regional leasing, US tariffs and their effects on aviation and the opportunities in the industry.

**AAV:** Aviation came roaring back after the pandemic restrictions were lifted. Flights are full. Capacity is full. People want to fly. But airlines are facing problems, mainly that they can't get enough planes. The order pipelines are full. What are you seeing from the supply of product which are airplanes, your product, how is the supply affecting you?

**CL:** You're right. We're tired of talking about the pandemic, but the follow-on effects are still there. So, supply chain issues are actually coming from that phase when the OEMs stopped production or slowed down production and the supply chain also stopped producing and has difficulties catching up again. Now the OEMs want to bring back the production in full swing. In the regional space, the numbers are different. The numbers are much smaller and also the effects are less severe. So, on the turboprop side, it's mostly landing gears at the moment, which is an issue for ATR. ATR is the only turboprop product still in production. ATR is struggling with keeping up the deliveries as they would like to, but we're not talking about seven to 10 years delay. We're talking about several months to a half a year kind of delays. And the total numbers need to go up. The production rate needs to go up. On the regional jets, it's a bit the same. It's mostly the turbofan engine with the short supply. There is, for instance, in Toulouse, Air France painted A220s just waiting for engines for those aircraft to be delivered. On the E2s, it's slightly better. Their delays are within several months, which of course is also bad. But if you compare it to the narrowbodies, it's much better.

**AAV:** You're a lessor, obviously. You like it when lease rates go up. What are you seeing now? Are the rates going higher? Are people signing new leases for older planes or are they extending their existing contracts? What's happening with that?

**CL:** Due to the shortage of supply, airlines tend to extend leases. I think that's the case industry wide. Also, on narrowbodies and

also regional. Within the last year, wherever leases were ending, we've always had discussions on extensions and the shortage of supply does have an effect on the lease rentals. But it's also because unlike in a narrowbody space, we don't go around our head office high fiving with great lease rentals. We are just happy that we're reaching back to a normal level. So that's the big difference. If you just look at the base lease rentals, whatever a lessor needs to make in order to break even, we're just getting there. And then we came from COVID times where lease rentals in some cases even halved, which is, lessors did it only just to place these aircraft on lease. Luckily we were on the good end of that, so we didn't have to drop our lease rentals to that level, but others did, which created a market lease rental which was way too low and was causing lessors in our space just to lose money on existing leases. And now we're just getting back. But on the regional jet we're catching up on the turboprop side. Interest rates have gone up. Costs for lessors have gone up and lease rentals haven't always caught up. So what we've seen in the last lease extension discussions is that we really had to educate our current lessees, but also the market where we need to be in our space.

**AAV:** Speaking of money...the crazy guy that's in the White House right now has really stirred up a hornet's nest with global tariffs. Does TrueNoord have a tariff team looking at what's going on? I am curious how tariffs are going to affect the leasing industry, the aircraft leasing industry. Because is it going to be the entire value of the airplane? Is it going to be an engine? Is it going to be avionics?

**CL:** It's a bit too soon to fully understand because there's a lot of unknowns. And especially as you say, the tariffs are on what parts? The entire aircraft, maybe even on leases? We provide a service to US lessees. Is that also subject to tariffs? We were now in the last, let's say week or two have been trying to get our heads around what it means for us and what it means for the entire business. And

◀ Carst Lindeboom, director for APAC at lessor TrueNoord.

it's not easy to tell, and it might be also a bit too early to really see what the effect will be, but we know that there will be an effect. The US-based OEMs, they need to import non-US parts and of course there's tariffs. Currently, it's only the baseline tariffs, but within less than 90 days, maybe also further tariffs will be on there so there's a lot of unknowns. I think in general what we're most worried about for the time being is the effect on our customers and especially the effect on our customers not in the US. If we look at Asia, there's a lot of countries hit hard by tariffs. We have aircraft for instance in Bangladesh. Bangladesh went through a rough period who had problems with their currency, then went into political instabilities, and now are hit by one of the largest tariff percentages and are heavily reliant on the garment industry exports to the US. Our customer there will likely suffer from this entire tariff issue. And that of course will have an effect on us as well.

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**AAV:** Is there an effect that is different from a US-based lessor? Or are you at an advantage or a disadvantage?

**CL:** In general, leases are net leases. So the lessor doesn't pay tax, basically. We might pay tax in certain cases in our own jurisdiction, but in general, leases are very well written, and the lessor doesn't pay tax or tariffs. That's the case here as well. We have several US-based customers with the aircraft already there, so they're already imported. As we understand, there's no specific tariffs either. There's no rule on where the registration is or who's the owner of the asset. It's simply the product being imported in the US and the importer is due to pay tariffs, which in general is not the case for us, but it will be the case for our customer. Whenever we would lease, let's say an Embraer into the US, then our customer needs to pay the tariff on that. And of course, in the end, the passenger, which will be a US-based passenger because we operate regional aircrafts, will pay a higher ticket fare. That's probably how it will go. The other way around, if a US lessor would lease into a non-US airline, the other question is, are there counter-tariffs in that particular jurisdiction? Which for the time being, for instance in Europe is not there also in that 90-day stay period, but that might change as well. That has to be seen. I think the biggest battle going on now is China and in the US and China blocking Boeing products.

**AAV:** Let's stick with the OEMs for a second. Let's say you've ordered 10 ATR 72-600s or a couple of E-jets or this or that, and Embraer or ATR says, 'Well, sorry, we are going to be delayed or we're going to



declare force majeure because we can't get the parts from the US supplier. Do you think OEMs will cancel contracts and declare force majeure or has it not even reached that point yet?

**CL:** First of all, I've been in this business negotiating lease contracts





and force majeure clauses for more than 20 years now. This was always legal stuff. We would never use a force majeure clause or an act of God kind of thing. It's nice to have in the lease contract, but we will never use it. Well, that clearly has changed, especially

◀ *TrueNoord specialises in turboprops and regional jets.*

already since the Russia-Ukraine war where force majeure clauses have been used. Another question is that, do tariffs also fall under force majeure whereby... I'm not a legal expert, but I doubt whether that will happen. It also depends on which jurisdiction will be ruling about this, but I think in general, tariffs and the tax impact are too little to declare force majeure, but it does create a debate on where the risks are and who's taking risks of certain tariff increases. In future contracts this will definitely be a discussion, whereby of course the OEM or the supplier would try to pass on that risk to the buyer of the part of the aircraft.

**AAV:** *Let's talk about Embraer and COMAC. Is this time right now advantageous for Embraer or COMAC? Is it time for Embraer to shake up the market a little bit? I know you've been working with them and the regional jets. Do you see those OEMs like Embraer or ATR? Are they stepping up to take advantage of things?*

**CL:** In general, globally, definitely yes, because of the lack of supply of narrowbodies, airlines also of course are thinking about the alternative. And so that alternative could be a regional jet in many cases, which is not only the COMAC or the E2 but also the A220. You've seen that Airbus for instance, has been pushing the A220 product as their A320 orderbook was quite full and that had quite a bit of success over the last year or so. You saw E2s really catching up. So more and more airlines have been looking at that product. And if you look into that deeper and really make the network analysis, and they realise that this is a very viable alternative. As you say, in smaller city pairs in general, there's a lot of city pairs in many countries who've actually gotten smaller, not bigger. Yields have gone up, so ticket prices have gone up, which caused a more healthy situation for airlines, but also caused the total number of passengers to go down a little bit. And then you can really right-size by using a regional jet. You've seen, for instance, Singapore Airlines going into that product and operating routes they would otherwise not do by right-sizing with E2s. Qantas has selected the A220, now Virgin, the E192, which is also an interesting move. And recently ANA has ordered E2s as well really to, because they see the benefit in their network structure. You've seen, especially in Southeast Asia, regional jets were really struggling (because of the large number of narrowbodies ordered by LCCs but that's changing for regional jets).

**AAV:** *Quick question about COMAC. I know they're talked about a lot about competing with Boeing, with Airbus on the narrowbodies. Do you see COMAC as a major competitor anytime soon or do they still have a long way to go?*

**CL:** We've been working over the last year with COMAC on several projects. We've signed an MOU with them to cooperate on several projects within China. We have a good relationship with the company. I think it's a very professional OEM, which is on the verge of producing high-quality products. They started with the ARJ-21 or

the C-909, as it's called now. Then they moved on to the C-919. It could be an alternative to the existing non-Chinese OEMs which are already there, but a large part will be in adoption in the rest of the world (a lot depends on regulatory certification) and if that's not happening, then for lessors like us, it's a product we cannot finance because we need to have a bit more fluid products and the possibilities to place it everywhere in the world. So not saying anything about the quality of the product, but the certification will be a major issue. The C-919 might be different. That's a more Western aircraft and that has chances to get a certification, at least. In the current times, certification might be difficult in the geopolitical tensions between the two countries, but not today, not next year, but in the future might be possible.

**AAV:** Let's talk about TrueNoord. You have been on a fundraising tear recently. I think you priced \$400 million in senior notes and upsized a term loan for \$450 million. What's in store with TrueNoord for the financing? Are you looking to acquire any other companies?

**CL:** This fundraising was really to develop the debt side of our company, to move from secured to unsecured debt. This was our first raise, which really helps our company to mature. We were a bit lucky it came right in between Trump getting into power and Trump announcing tariffs. Our company is growing, we will plan to continue to grow. The question is how to grow. We're not specifically looking to acquire other companies. As you mentioned, there have been opportunities in that area, but we haven't really looked at that. But what we have done is buy portfolios. There's been several other leasing companies offering portfolios into the market, and we have picked quite a few of those. So we've actually doubled our fleet since the pandemic. There might also be some opportunities buying naked aircraft and place them on lease, as we were in the market and capacity is scarce and we see a lot of airlines and our existing customers, but also new customers looking for additional lift. Whenever there's opportunities, we will take them, but on a conservative and steady basis.

**AAV:** As I mentioned before, Southeast Asia in particular, but Asia in general, is perfect for your product lines. Where are you spending most of your time on the road? Is it Indonesia? Is it India? Is it Japan? Is it Malaysia?

**CL:** We have customers in the Maldives and India and Bangladesh, Philippines, Indonesia, Australia. And we continue to be active to grow this. Indeed, Indonesia is an important market, being such a big country with a big population and a lot of islands, so perfect for regional aircraft operation. We already have a customer there, Wings, the Lion Air Group. But we're looking to expand in Indonesia. In general, over the last year, years, Southeast Asia has been quiet for several reasons, but mainly also because the Chinese market hasn't come back yet. Chinese international traffic to Southeast Asia has always been very important but Chinese tend to travel more domestically (recently). So that had an effect. Stronger markets



▲ TrueNoord sees regional jets as a game-changer for aviation in Asia.

over the last years have been Australia, South Asia, and then mainly India. If you look at my travel schedule, it has been a lot of South Asia and a lot of Australia. If you look at what is our wish, we don't have any aircraft anymore in North Asia. So Japan, Taiwan, Korea, would be on our wish list to increase or to expand into. Again, we had leases with Mandarin Airlines, but we would like to do something there again. We spent quite some time in Japan, in Korea, and then Southeast Asia. There are many opportunities just waiting for the right fit, so we'll see.

**AAV:** What do you see happening overall in terms of the industry, overall in terms of regional aviation, your specialisation? What's in store for TrueNoord, say the next year, a little bit further out from that?

**CL:** We remain cautiously optimistic. Of course, there's a lot of turmoil at the moment and a lot of moving parts. But we've seen over the last years and over the last many black swan events that aviation is very resilient, and it will always bounce back. Although for the time being, it didn't really see the hit from tariffs yet, but there might be some long-term economic effects. We will continue to grow at our own pace...carefully and not too opportunistic, choose the right partners, maintain what we currently have so we have a strong portfolio and a strong customer base and so we continue to work with our partners to help them to stay profitable and to survive whatever crisis might be coming, if it comes at all. ➔

**Editor's note:** This interview has been edited for clarity and space. To see the full interview, click here.

<https://www.youtube.com/watch?v=OYPBlbyzW3M&t=1528s>