Study indicates higher residual value for engines maintained with OEM parts and authorized repairs

A study performed by the International Bureau of Aviation (IBA)† shows that engines maintained with original equipment manufacturer (OEM) parts and repairs retain a 20—50% higher resale value than those maintained with Parts Manufacturing Authority (PMA) content and/or Designated Engineering Representative (DER) repairs.

The study examined asset resale prices for CF6-80C2*, CFM56-3/-5C* and CF34-3* engines. Data was collected and analyzed from actual engine trades as well as interviews with lessors and traders.

“What we found is that there is a significant negative financial impact on engine re-marketable and sale price when the engines contain PMA parts and DER repairs, especially within the engine core,” says Dr. Stuart Hatcher, who leads valuation and risk at IBA. “Evidence shows that OEM-certified maintenance protects engine asset value over the long-term.”

“So if you’re buying, selling or leasing engines, consider this in your engine valuation,” he adds. “Leasing companies should enforce terms requiring use of OEM parts and repairs—as this will help protect your asset value and overall investment throughout the engine’s lifecycle.”

IBA Example – CFM56-3 engines with PMA blades traded for less value

Example 1
CFM56-3 cores with OEM parts had more than 2X the market value of cores with non-OEM parts

Comparison of actual trade values of CFM56-3 engines containing Belac blades vs. engines with OEM configuration

*LP valued separately

Source: IBA TRU/Engine Value Study, January 2012
"It's clear that the IBA study results are a significant indicator related to engine residual value, but it's also important to note that the study did not include an evaluation of the impact of these influencing parts that were not maintained to OEM standards on LLP (life-limited parts) values," says Tom Levin, General Manager of Material Services at GE Aviation. The list of critical parts that can influence the LLP parts in the engine are published in Chapter 5 of the GE and CFM Engine Manuals.

Levin adds that GE and CFM’s TRUEngine® designation offers a way to ensure operators that engines have been maintained in an OEM configuration and to OEM standards. It also provides optimal technical and product support for GE and CFM International® powerplants—with fully transferable status in the event of an engine sale or new lease.
The TRUEngine program is offered to operators of GE90*, GEnx, CF6, CF34 and CFM56 engines at no charge. Visit www.geaviation.com/services/truengine for more information on the TRUEngine program for GE engine lines. To find out more about the CFM TRUEngine program, visit https://www.cfmaeroengines.com/services/trueengine/

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† Study commissioned by GE

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