



## Suez, Veolia to Recycle Planes as Metal Prices Soar (Update1)

By Tara Patel



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Dec. 11 (Bloomberg) -- On a tarmac at Nigeria's Kano airport, sit the remains of an airplane with entrails picked apart like a carcass in the African savannah.

"It's easy to imagine how the spare parts could get into the market," said Martin Fraissignes, executive director of the Washington-based Aircraft Fleet Recycling Association, displaying photographs of the plane at a conference on air transport and the environment in Paris on Dec. 6. "The resale possibility of quality spare parts is driving" the rush for salvageable material from aircraft no longer in service.

Scavengers aren't the only ones interested in taking apart airplanes. As prices of parts and metals soar -- scrap aluminum prices are up about 50 percent over the past 3 1/2 years -- dismantling airplanes is becoming lucrative. It's drawing the likes of Suez Environnement SA and Veolia Environnement SA, the world's biggest waste-management companies.

Suez yesterday started construction of its first aircraft-dismantling site at the Tarbes-Lourdes-Pyrenees airport, near Airbus SAS's headquarters in Toulouse, France. Veolia entered the market with its acquisition last month of Bartin Recycling Group, France's third-largest scrap-metal company, with sales in 2006 of 249 million euros (\$366.7 million).

More than 10,000 civilian airplanes will reach the end of their lives by 2025, according to the recycling association. About a quarter of them are already grounded in deserts and on tarmacs around the world. The group says the business could generate several billion dollars. Suez and Veolia say recycling is among the fastest-growing parts of their operations.

'Fledgling Business'

"This is a fledgling business, but we know the market is large," said Nanterre-based Jerome Le Conte, general manager for France, of Veolia Environmental Services. "The number of airplanes being built each year is staggering."

The Paris-based companies, along with a handful in the U.S. including Evergreen International Aviation Inc., want to take apart many of the 300 civilian aircraft pulled from service each year, selling usable parts, scrap metal and handling toxic waste. Suez and Veolia each say their sites could handle 20 or 30 aircraft every year.

Recyclers could sell parts and materials of a grounded passenger jet for as much as double the price they pay for it intact, Gregoire Lebigot, chief executive officer of Europe Aviation, an aircraft maintenance company that works with Bartin, said in an interview. "Companies are replacing 20-year-old airplanes with the same models so the spare-parts market will be sustained in the coming years." Lebigot is based at Paris's Orly airport.

French Pioneers

Suez is a partner of Airbus SAS, the world's largest commercial planemaker, while Veolia's is supported by Boeing Co., the second-biggest.

"Europe and France in particular is a pioneer in the field of recycling aircraft," said Fraissignes. "A more rigorous industry needs to develop which will have best practices for the trade of spare parts and respect for the environment."

In the past, spare parts were sold, some metal went to scrap and the rest was thrown out. Suez and Veolia say they aim to recycle 85 percent of airplanes at their sites.

The job is technically complex as well as dangerous as miles of wiring needs to be separated from metal and asbestos removed from the fuselage, Le Conte said.

"Recycling used to be done by small companies," he said. "This will no longer be the case because it needs to be

safe."

Half of the world's steel is produced from scrap metal and the collection and recycling of metals is becoming a key waste-management business, Veolia says.

#### New Business

Boeing 747 models, with a list price of as much as \$297 million, are made of about 70 tons of recyclable aluminum. Last year, just over 3 million tons of the metal was recovered from scrap, according to data from the London-based International Aluminium Institute.

Suez's waste unit Sita, along with five partners including Airbus and Safran SA, have started Tarmac Aerosave, or Tarbes Advanced Recycling & Maintenance Aircraft Company. Investment by the partners and local government was 18 million euros. Last year, it carried out a pilot project on an Airbus A-300 that was about 30 years old and had started to crack.

"We were able to recycle 85 percent of the airplane," Didier Imbert, head of Sita France, said in an interview from Nanterre. Not counting the plane's engines and landing gear, the exercise generated 60,000 euros in parts and materials, including about 60 tons of scrap metal, he said.

"The process allowed Airbus to study wear and tear on the plane," he said. "We will be studying possible partnerships with Airbus for more sites like this one in other countries."

#### More Profitable

Bartin, the business Veolia bought, has dismantled about 30 civilian aircraft over the past decade at the Marcel Dassault Chateauroux-Deols Airport, a former military base about 220 kilometers south of Paris, said Fraissignes, who's also the airport's general manager.

Industry executives say putting a price tag on aircraft to be pulled from service is difficult because of their varying conditions. A plane engine alone could fetch as much as \$10 million, Fraissignes said.

"The more recycling and reusing the materials becomes profitable the more likely airplane owners will prepare for their end of lives instead of just parking them somewhere," said Lebigot.

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