Moving the market

President and CEO **Christopher Whiteside** explains how he is shifting his AJW Group to a new business model

The strength of the AJW brand is an important element in the new business model *(photo: Ian Harbison)*

Although the company has just extended a traditional power-by-the-hour (PBH) agreement with Air Incheon in South Korea to cover two newly acquired Boeing 767-300ERs, he says being a mere provider of aircraft parts is less of the focus for the business today as it concentrates on delivering total supply chain solutions.

Influences for change include consolidation between OEMs, both for airframes and equipment; the determination of those OEMs to grab an ever increasing share of the aftermarket; and a diverse competition. The aim, he says, is to use technology to work more intelligently and more efficiently, enabling a move away from $500 million worth of components sitting in boxes on shelves in expensive warehouses.

Also in the mix are important contracts with easyJet and Bombardier.

The easyJet long-running cost-per-flight-hour contract saw the company become the primary provider of the airline's requirements for component maintenance and the provision, storage and distribution of spare parts, although on a much larger scale than usual. Starting with an initial feet of 241 Airbus A320 Family, new orders will see an eventual total of around 350 aircraft by 2020, including the introduction of A320neos and A321neos.

This resulted in major changes and upgrades to the company's processes (see *MRO Management*, June 2017), which have been adopted across the board. In fact, there is now a continuous improvement programme in place, which has seen further IT changes, with tighter KPIs, and more efficient methods being introduced into the warehouse.

Earlier this year, it signed a long-term agreement with Bombardier Business Aircraft, undertaking all rotable inventory repair management across the Learjet, Challenger and Global aircraft families. This is potentially worth in excess of $1 billion across the life of the contract, he says.

A key feature of both these contracts is engagement with MROs and vendors. This has been difficult at times, but the experience gained with the easyJet contract has

been useful in setting up the Bombardier network. He notes that some of the bigger OEMs have distinct divisions for the airline and business aviation industries, each with their own gatekeepers that have to be won over. And the AJW Group relationship with big OEMs? He compares the company to an oxpecker bird, which lives on the back of a rhinoceros. Despite the disparity in size, there is a symbiotic relationship.

One competitive advantage for AJW Group is the sheer scale of the repair operation. It can offer OEMs a share of the business over several years, which makes it attractive as a partner. It can also get involved in taking over or selling surplus stock and running sunset programmes, as well as its core inventory management and logistics experience.

At the heart of this is AJW Technique in Montreal. Opened in January 2013, it has rapidly expanded its range of component capabilities to include galley equipment, avionics, hydraulics, pneumatics, fuel, power generation, safety equipment, electromechanical, lighting and instruments. Its team of 170 licensed technicians provides support to over 500 airlines worldwide, processing in excess of 35,000 units each year across 6,000 part number lines.

He admits to acquiring the company out of the bankruptcy of Aveos to disrupt the competition and that the success is a nice surprise, even if it cost a bit more money than anticipated. Because of this success some competitors have blacklisted the AJW tagged items.

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> Christopher Whiteside, AJW Group

AJW Technique tagged items now account for a significant amount of the inventory and having the correct paperwork and warranties is increasingly important to airlines as they outsource inventory management.

So how does all this come together in the new business plan? He gives the example of a seasonal airline service, such as the Air Canada summer A319 operation between London and Halifax, NS (now replaced by a 737 MAX 8). To ensure operational reliability, there will need to be a significant spares holding at each end of the route. Aside from regulatory requirements, an issue is that the airline does not operate narrowbody aircraft from London and is unlikely to get help from competing carriers if it encounters a problem. ▶

The component repair business is centred on AJW Technique in Montreal *(photo: AJW Group)*

He explains that the mass of component repair history held by AJW enables it to provide some predictive maintenance forecasts that could reduce the spare holdings but he wants to go further.

He believes the AJW brand, customer confidence in the company and its negotiating power from its size – qualities he may have previously underestimated – give the company an opportunity to exploit information technology and be able to source items for customers at short notice, at a good price, correctly tagged and in the best location for delivery. Not far from the Amazon model.

At the moment, the business is split 60/40 between Airbus and Boeing but he expects this to change to 55/25/20 between Airbus, Bombardier and Boeing in the future. He can also see commercial and business aviation representing 90% of turnover in five years' time (AJW Aviation has already been dropped as the company name) as the new model is applicable to military aircraft, helicopters and rolling stock. ■

CROSS CHECK

(photo: AJW Group)

An unusual strategic partnership between AJW Group and COMAC has seen the Chinese manufacturer's ARJ21 aircraft successfully complete crosswind testing at Iceland's Keflavík International Airport.

Keflavík is the location of choice for major aircraft manufacturers to conduct crosswind testing due to the angle of the runway and the high winds in the region. AJW has been working closely with COMAC and Iceland's airports authority, ISAVIA, since September 2017 to manage the five-week testing programme, which involved a delegation of more than 100 engineers, meteorologists, pilots and support staff travelling to Iceland from China to carry out the tests. AJW coordinated the logistics, flight plan approvals, test flight assessments and spares and maintenance support throughout the tests.

The aircraft has been flying since June 2016 and completion of the tests will enable COMAC to widen the operating parameters of the aircraft. The manufacturer has 453 orders to date.