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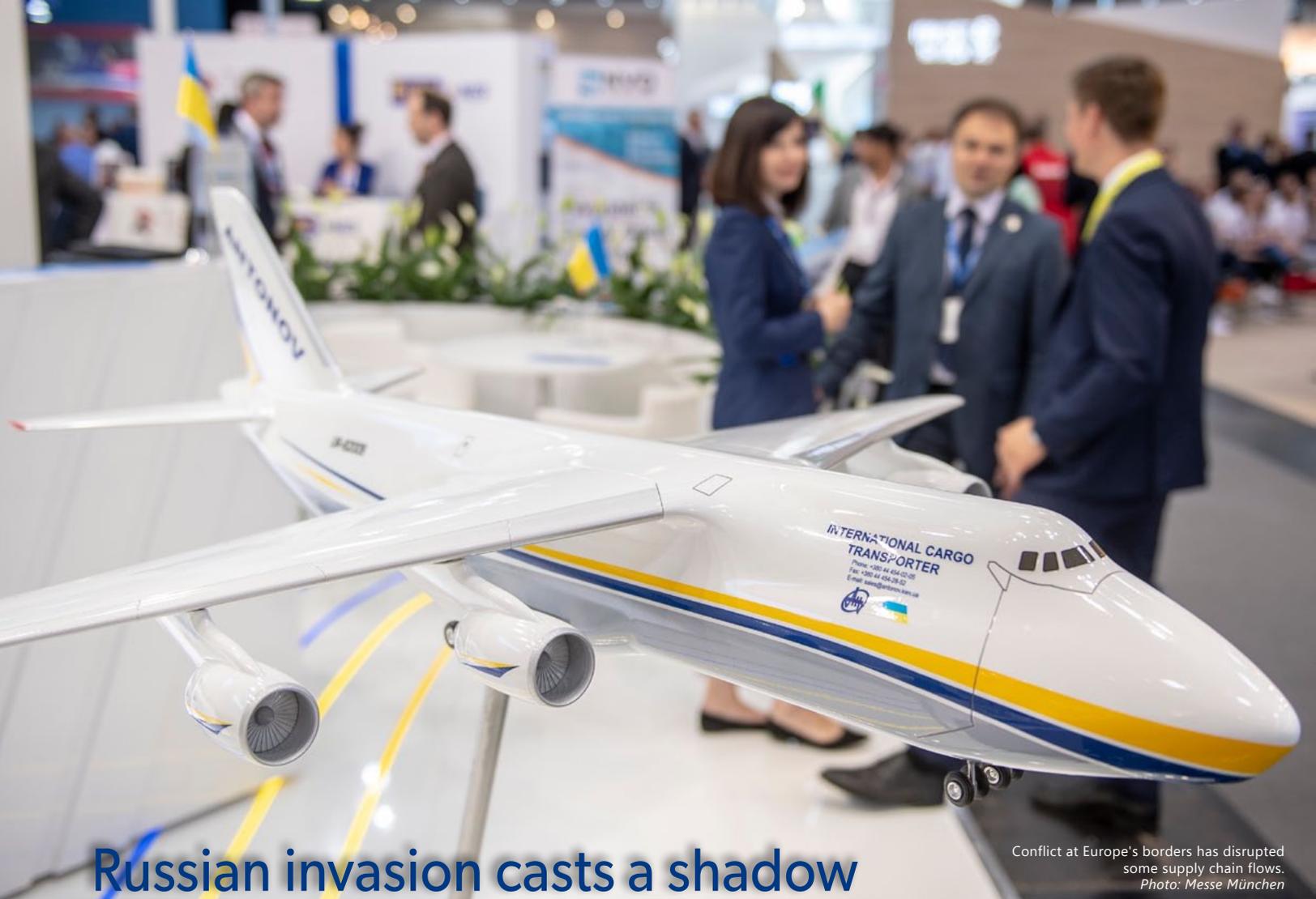
Labour shortage will be the next big challenge

Europe

Will geopolitics slow down market recovery?

SkySelect

Automating the material supply chain



Conflict at Europe's borders has disrupted some supply chain flows.
Photo: Messe München

Russian invasion casts a shadow over Europe's recovery

Ongoing geopolitical issues threaten to derail Europe's fragile recovery but as **Keith Mwanalushi** finds, the MRO and aftermarket sectors remain resilient despite instability at the doorstep.

The Russian – Ukrainian conflict has created some disruptions in various sectors of the MRO and supply chain with operators based in both countries severely challenged by the supply of parts due to the sanctions imposed. Analysts at IBA have observed that airlines who have been unable to source or pay for spare parts will cannibalise aircraft to enable the continued operation of a smaller fleet and this trend will likely continue with Russian airlines as sanctions continue to bite.

With the sanctions in place on Russia, a report published last month by IBA suggested that the likely lack of access to spares is already having an impact on aircraft and engines at different stages

of their maintenance cycle. Using IBA's *InsightIQ* aviation intelligence platform, IBA can identify 72 western manufactured aircraft being operated in the Russian Federation which require 6/12 year or landing gear maintenance in 2022. As the report indicated, it is highly unlikely these maintenance operations will be completed without components that are restricted by sanctions.

Also, another report released by *Cirium* in May 2022 showed 67 western built commercial jet and turboprop aircraft parked at eight different airports within Ukraine – these will likely stay at these locations throughout the crisis and exposed to the possible risk of damage.

International operating lessor exposure

does appear relatively limited according to the *Cirium* report. Only 23 of the 67 aircraft currently AOG in Ukraine are managed by 11 different lessors, with only four of those having more than one aircraft in country at present. During AerCap's Q4 2021 earnings call CEO Aengus Kelly said in compliance with these sanctions, AerCap had terminated all aircraft and engine leases it has entered with Russian entities.

At GA Telesis, the Russian and Ukrainian sectors are key markets in the region. "The Russian market is a significant market to lose; however, we have been able to make up for the lost revenues in other markets," indicates Abdol Moabery, President and CEO. As it

relates to European supply chain issues, GA Telesis is feeling some impact from certain OEMs and MRO providers that could not operate at full capacity during the pandemic – “However, they also have issues with suppliers as well as raw materials that come from Asia. As a result, they, too, are working through similar issues. Overall, we are working through plans with our partners to make sure we get back on track with their commitments to us within a relatively short period of time while simultaneously exploring other options,” Moabery tells.

Most of the disruption to the supply chain might creep up if the situation depreciates as aircraft remain grounded, but this will likely remain minimal.

Andy Wheeler, DVP and Managing Director of AMETEK MRO AEM sees that the wider industry continues to experience sporadic material shortages and obsolescence as a direct consequence of the supply chain disruptions caused by the pandemic and perhaps a further added layer of complexity as the Ukrainian Russian conflict impacts manufacturing facilities in the region.

He says within the AMETEK MRO division, procurement teams continue to work closely with OEMs and distributors to ensure they can secure



Abdol Moabery, Chief Executive at GA Telesis



“The biggest impact for the whole industry is the doubling in the cost of jet fuel, this will be placing additional pressure on older and less fuel-efficient aircraft and consequently accelerating retirements.”

Barry Swift, AJW

Barry Swift, SVP Operations at AJW

sufficient material to support a global client base. “We also have a team of procurement and engineering specialists looking at material risk and are actively bolstering inventory on strategic parts and platforms. AMETEK MRO Europe also has extensive experience in USM management which continues to play a major part in our global provisioning strategy,” says Wheeler.

On the impact from the Ukrainian and Russian conflict on the MRO and aftermarket supply chain in Europe, there have been some occurrences of suppliers identifying force majeure conditions for a small selection of specified repairs conducted in Russia, but Barry Swift, SVP Operations at AJW feels the impacts concerning MRO have been minimal thus far. “The biggest impact for the whole industry is the doubling in the cost of jet fuel which as an airline’s first or second largest cost this will be placing additional pressure on older and less fuel-efficient aircraft and consequently accelerating retirements,” he says.

The invasion of Ukraine certainly

caused a spike in oil prices with brent crude reaching the \$100 per barrel mark for a short period following the invasion.

Ismael Fadili, Sales and Marketing Director for AMETEK MRO ANTAVIA also cited the rising fuel, freight and transport



Andy Wheeler, DVP and Managing Director, AMETEK MRO AEM



Aavo Kuus, Sales Manager, Magnetic MRO

costs as certainly a concern and they are working to find cost effective, sustainable solutions for both the business and clients.

With Magnetic MRO based in Eastern Europe, it may have felt the harsh reality of the conflict more than most and not just from a business perspective but also with people’s lives. “What changed for us of course is the partnership and cooperation with both countries and beyond,” says Aavo Kuus, Sales Manager at Magnetic MRO. He says in some form or another, it has impacted business dealings in aviation, for airlines, asset owners or maintenance organisations.

“We have several customers in Tallinn, Estonia that have been directly affected by the conflict, keeping their fleet in storage who are waiting for better days. The supply chain for materials and spare parts has been heavily affected making

maintenance ground time longer and more expensive,” Kuus describes.

However, Magnetic has continued to sign new contacts and become leaner, as Kuus indicates and is finding new ways to deal with the issues at its doorstep and to support operators – “but it all comes with a price tag unfortunately and we need to remember that this is not just in aviation but affecting other industries,” he reminds.

At Aero Norway they had multiple business engagement within Ukraine and Russia. “We complied with the applicable sanctions as soon as they arose and realise that business with Russia will be under sanctions for the upcoming years and that Russian market opportunities will be unavailable,” declares Ramon Peters, Global Sales & Marketing Director at Aero Norway.

“ **The supply chain for materials and spare parts has been heavily affected making maintenance ground time longer and more expensive.**
Aavo Kuus, Magnetic MRO ”

Other regional challenges

The regional challenge that Peters foresees is finding the qualified personnel to facilitate growth, logistics challenges as air cargo capabilities are limited due to the Eastern Europe crises, rising fuel prices, and when to expect the upraise in CFM56 MRO requirements.

In the wider European context and on the challenges facing the region, Swift from AJW observes that logistics lead times are driving greater regionality in MRO sourcing; “so OEM centres of excellence say in the US are sharing work with their European sister sites, to mitigate capacity constraints.

“There have been for example, raw material shortages around aluminium and other metals,” notes Swift. He adds that operators are focussed on managing their pandemic induced debts and need cost-effective solutions to help keep their costs under control. “The need to be reactive, adaptable and flexible to meet operator changing needs will remain for the foreseeable future.”

To further meet the demands of local European operators, last year AJW expanded its global MRO footprint



Rising fuel costs are certainly a concern.
Photo: GAZPROMNEFT – AERO



There are questions on when to expect the upraise in CFM56 MRO requirements.
 Photo: Aero Norway

with the opening of AJW Technique Europe, which operates as a centre of excellence for aircraft batteries and is set to expand into a series of other capabilities to compliment the repair services offered at AJW Technique in

Canada. “We also added AJW Technique Interiors, with manufacturing facilities in Europe, offering new product lines to our capability list and helping airlines who need to refit cabins, replace seat covering and carpets by reducing costs and supplying a superior alternative,” Swift comments.

been seamless as it relates to aftermarket support of materials – However, the greater issue we are all facing is labour shortages, which will impact MRO throughput and keeping an eye on a disruptive neighbour.



Ramon Peters, Global Sales & Marketing Director, Aero Norway

As many of the speakers taking part in this article have stated, the key regional challenge will be retaining skilled labour and recruiting new talent. Craig Skilton, Director of Business Development and Operations at SkySelect says this means the MRO industry in Europe is up against severe capacity constraints to fulfil material requirements and ensure operations flow without interruptions. “With the constant time pressure and lack of resources, organisations don’t have time to find ways to improve and implement more flexible and efficient processes,” he states.



Craig Skilton, Director of Business Development and Operations at SkySelect

It’s clear that the European market is very mature, and therefore its resilience to bounce back from the pandemic has