

Keeping the world's fleets flying

aviationbusinessnews.com

OCTOBER 2022 • VOLUME 24 • ISSUE 7

MRO

Management

CONTINUALLY DEVELOPING

Joramco CEO Fraser Currie on the
need to grow and improve capacity,
capabilities and processes



In association with

JORAMCO | Committed to
Excellence
A DEE COMPANY

TICKING TIME BOMB

What are companies doing to address
the maintenance technician shortfall?

INDUSTRY FOCUS

Supply chain and staffing issues are
challenging European MROs

TOTAL TURNAROUND

How independent MRO Caerdydd
is soaring to new heights

MRO FOCUS

EUROPE

With supply chains and staffing issues big challenges, how healthy is the state of the industry for Europe's MRO companies? *Bernie Baldwin* gets some answers from leading practitioners

Airlines in Europe have had their flight timetables interrupted regularly and considerably so far during 2022. This obviously has a knock-on effect on maintenance schedules.

MRO departments and independent providers headquartered in Europe have therefore been doing what they can to counter any downsides, though the current market status does have some positives, according to Richard Brown, managing director of Naveo Consultancy.

"It's busy in the MRO shops," he reports. "Some feel like they're back to pre-Covid levels. The major issue at the moment is long turnaround times on parts, engines, repairs and components during MRO activity, and also long lead times on new OEM parts. That is down to labour shortages – not having the right skills in the right places at the right times.

"The supply chain has not caught up as quickly as demand has. Many are struggling because of that. And the shortages are not just at the MROs, it starts at the OEMs and their suppliers – the widget manufacturer or raw material supplier.

"We turned off the taps in some places and so now turning it back on is a challenge. I'm not particularly surprised about that. One of the good things about our industry is that it's full of engineers and planners, and this doesn't faze them. We're an industry that is very reactive to a variety of things."

The price of shipping parts is also a problem in places, with one supplier reporting a quote to move an engine that was four times the regular fee. The Ukraine/Russia situation, air cargo capacity and a number of external factors all contribute to this.

Moving forward over the next 12-24 months, Brown highlights the trouble being caused by inflation. "That comes through to catalogue price increases for the new parts, but also the labour inflation and pressures on wages are feeding through to MRO costs," he remarks. "So MROs are trying to pass those costs on to airlines, who naturally want to resist. Some MROs might be on fixed price contracts, or dealing with a long-term contract that had assumed maybe 2-3 per cent inflation, whereas we're seeing 10 per cent. MROs are trying to work with customers to reach a solution. That might be a more repair-rather-than-replace approach, but remember, the repair lead times are very long."



Photo: Juergen Mai/Lufthansa Technik

Using parted out spares (used serviceable material, USM) is difficult currently as stocks are reduced due to aircraft retirements being at historical lows. “The asset owners are playing a wait-and-see game as to whether they’ll operate an aircraft as the traffic recovers, or if they sell it or tear it down for parts,” Brown observes. “Even then, if you’ve got an aircraft or engine to part out, you may have to put the parts through an MRO shop to get them certified. Then the same issue arises with long lead times.”

Roderick Moerland, manager MRO support & engineering at Fokker Services Group, agrees that standard maintenance schedules are slowly returning, but reports that activity

\$97b

> The global MRO market is forecast to reach US\$97 billion by 2023, exceeding 2019 pre-Covid levels

[Source: ICF, Aviation Week, Naveo analysis. Constant US\$]

“The supply chain has not caught up as quickly as demand has. Many are struggling because of that”

levels at the company have remained high. “During periods of decreased demand at our hydraulic, pneumatic, avionics and power generation shops, we make the most of the time. Our technicians work together to develop new capabilities and explore new ways of optimising processes,” he confirms.

“One example of this is with engine accessories. We have supported CFM56 engine accessories for years and then expanded our portfolio to include the CF34 and the LEAP. Along the way, we transferred key learnings from the CFM56 to design new capabilities. Our portfolio is constantly expanding to respond to the latest industry developments.

“In the end, it’s about remaining flexible – an important skill – which will be even more so as our industry continues to recover from the impact of the pandemic.”

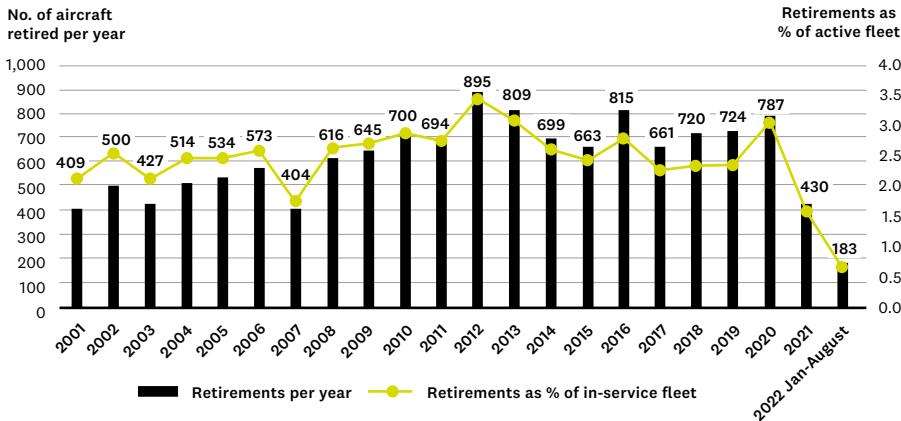
AJW Group has also been busy, having recently opened a new battery MRO facility, AJW Technique Europe, which is already experiencing an upturn in the number of units coming in for routine inspection and testing. “It’s about 20 per cent up on last year,” says Frankie McKeown, production manager at AJW Technique Europe.

“As the winter maintenance schedules kick in, we expect further uplift. We are laser focused on expansion right now, with the primary aim being to deliver improved cost and reliability efficiencies for customers. The short-to-medium-term plan is to build out our European MRO hub’s capabilities using AJW Technique in Montreal as a template.”

↑

Lufthansa Technik sees a buoyant MRO market “with huge demand driven by the pent-up demand for travel”

Air transport retirements 2001 to August 2022



Charts on this page: Stocks of used serviceable material are low due to aircraft retirements being at historical lows, as these charts illustrate

1. Engine, aircraft and component maintenance facilities expect to be extremely busy over the next 12-24 months

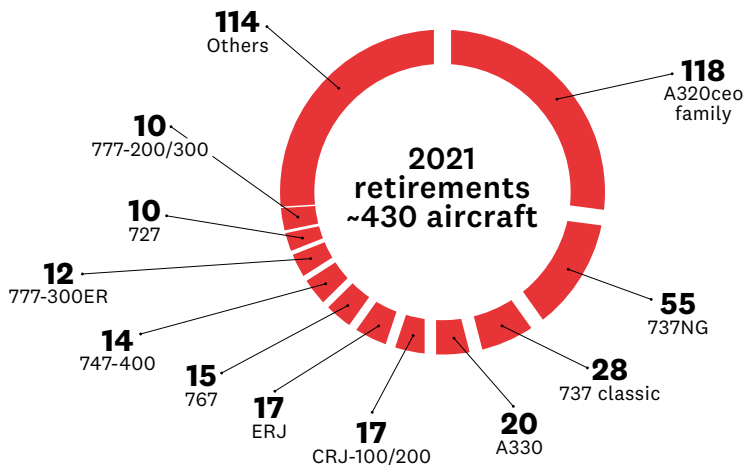
regulations,” he says. “Progressive approaches such as pro-active reliability programmes were a luxury which few airlines could afford and were widely dropped.

“The re-activation of fleets and boom in summer travel has created a huge peak of maintenance demand for this winter season. This is stretching the limits of available hangar and manpower capacity. Combined with OEM material availability and supply chain issues, these are bigger concerns than flight disruptions.”

Naveo’s Brown shares the concern regarding staff numbers. “Some people say it’s [currently] as bad as it will get. Others say that, as demand recovers, unless we can train new people, it will get worse before it gets better. There’s another school of thought that says a downturn or slowdown helps labour sort itself out,” he notes.

“There’s a mismatch at the moment between the skill levels. Some MROs have lost senior talents, who retired or took a package early, so that institutional knowledge has partly gone. You can recruit new people, but it takes time for a new hire to be as productive as a senior person who left.

“If we look at MRO capacity as soft capacity and hard capacity, then hard



Charts: Naveo Consultancy

“We are laser focused on expansion, with the primary aim being to deliver improved cost and reliability”

While many supply chain service providers were de-stocking and cutting costs to preserve cash, Farsound was doing the opposite, according to Lee Kelsey, the company’s group sales director. “It is critical to give manufacturers long-term visibility of our demand, increase investment in stock when lead times are increasing rapidly and, above all, ensure we can continue to deliver what the customer needs. In some cases we have placed orders over two years in advance on high volatility parts,” he states.

“We are creating something within the aerospace MRO sector that others are not. We strongly believe in giving customers a choice and are pushing the boundaries as we continue to grow. We understand our customers’ needs and that there is not a ‘one size fits all’ solution.”

Kelsey acknowledges that the main challenge right now is supply chain stretch. “Farsound has been able to rely on previous hard-won experience and has positioned the business to be at the forefront of the post-pandemic sector recovery,” he confirms. “Our supply chain and inventory management solutions deliver aircraft parts to the aerospace MRO sector – supplying kitting, direct line feed, carousels and vending solutions as well as scheduled and ad hoc deliveries.”

Dan Hepworth, head of corporate sales Europe at Lufthansa Technik, says the challenge for airline technical departments in the first half of 2022 was to get aircraft back into operational readiness following parking. “During the peak of the crisis, maintenance was deferred to the extent permissible under the



Photo: Gregor Schlaeger/Lufthansa Technik

Complex MRO vendor network?

We are your one
stop shop for repair
excellence

AJW.[®]
90 
YEARS
1932 - 2022

Visit us at
MRO Europe
Stand 2811

AVIATION WEEK
MRO
EUROPE

AJW TECHNIQUE
10
YEARS
2012-2022


AJW Group is the world-leading, independent, parts, repair, lease, engine, flight hour programme and supply chain solution integrator, transforming efficiency in commercial, business and defence aviation.

With hubs and offices on every continent - including AJW Technique, a state-of-the-art component MRO facility in Montreal - nose to tail, we have you covered.

ajw-group.com



Photo: Lufthansa Technik

capacity could be the size of your facilities, buildings, test rigs and so on. Soft capacity is the people you have, how many shifts you've got. You can have a massive building with lots of machines, but if you can't put an extra shift on, you're limited. Right now the big issue is the soft capacity in the market, which is driven by labour."

The staffing issue will continue to be a challenge, but looking ahead, Lufthansa Technik's Hepworth believes there are real positives. "The overall market is extremely buoyant with huge MRO demand driven by the pent-up demand for travel which has not yet been exhausted," he says. "Late and slow deliveries of new aircraft have forced many airlines to extend existing leases and/or hold on

\$27b

Europe as a generator of MRO spend will grow from US\$22 billion in 2022 to \$27 billion by 2031, a CAGR of 2.3%

"You can recruit new people, but it takes time for a new hire to be as productive as a senior person who left"

to aircraft for longer than anticipated, which has also led to an increase in overall maintenance demand.

"Engine, aircraft and component maintenance facilities expect to be extremely busy over the next 12-24 months. Some consolidation may occur and some legacy airlines may be forced to downsize their operations somewhat. On the other hand, low-cost carriers continue to grow their market shares. However, there are several headwinds – inflation, material costs, supply chain issues – which could dampen the outlook and will cause airlines to be cautious."

Fokker Services Group is seeing "a real uptick" in airlines across Europe temporarily leasing more aircraft, according to Moerland.

"This is to meet increased demand in travel now that some global Covid-19 restrictions have been lifted.

It has allowed continued operations during the busy summer months without the commitment to bring on an aircraft year-round," he explains.

Farsound Aviation, meanwhile, has committed fully to a comprehensive growth plan over the next couple of years that will see the company expand its facilities and capacity for supplying small hardware and other fast-moving consumable parts.

"Our business has doubled in size since 2020," Kelsey reports. "We have a very strong pipeline of growth with many new customers wanting Farsound to help them to lift their supply chain solutions to the next level. Our new UK facility will give us eight times the capacity of our current UK facilities.

↑
Lufthansa Technik Aero Alzey recently celebrated 30 years of MRO work on CF34 engines

1. Lufthansa Technik Budapest offers maintenance services for Boeing 737 and Airbus A320 families
2. The company's portfolio is "constantly expanding" in response to industry developments
3. Activity levels at Fokker Services Group remained high during Covid

Photo: Lufthansa Technik



“Digitalisation is a tool that can make us more efficient, making parts more reliable, and aircraft and engines too”

“We will shortly be opening a new Farsound facility in Spain to accommodate increasing demand from one of our European airline customers. This facility will continue to add to our rapidly growing footprint.”

At AJW Group, McKeown expects the biggest challenge over the next 12-24 months to play out when the Brexit arrangement between the UK Civil Aviation Authority (CAA) and the European Union Aviation Safety Agency (EASA) ends on 31 December 2022. “After that, the CAA will no longer be able to recognise all EASA certificates, approvals and licences,” he explains.

“This will have implications across the aviation industry, from pilots with EASA licences operating UK-registered aircraft and air carriers holding Third Country Operators (TCO) certificates, to maintenance organisations with EASA approvals for UK-registered aircraft. The CAA is encouraging all to apply for UK licences as soon as possible.”

Beyond the overarching picture, there will quite naturally be certain individual areas that will be hot topics

over the coming years. Sustainability is an obvious example (it was certainly the ‘word of the week’ at this year’s Farnborough International Airshow) and so is digitalisation. Brown offers another topic as key.

“The focus at the moment for MRO leaders is managing their business for the here and now. Beyond that, the need to be efficient and to think smarter, faster, leaner are ways to insure against things like labour and supply chain issues,” the analyst states. “Digitalisation is clearly a tool that

can make us more efficient, by making parts more reliable, and aircraft and engines too, improving the time on wing or creating smart repairs.

“On sustainability, MRO has its part to play as one tool in the toolbox, because we’re repairing aircraft. Parts and engines are not designed to be simply thrown away and the more we can repair rather than replace has an environmental benefit.

“This isn’t new, though. We haven’t woken up as an industry and suddenly said, ‘let’s do more repairs, because that’s better for the environment’. It’s actually better for the bottom line too.”

As noted though, much discussion will be about the labour pipeline, training and people power. “The MRO industry must make sure that it offers an employment that is attractive to people,” Brown contends.

AJW Group’s McKeown sums up the state-of-the-industry scenario for Europe’s MROs. “We cannot get away from one absolute – that aviation is being challenged to deliver the capacity and efficiency that a travel hungry customer base expects,” he declares. **M**

