


MRO

Aerospace Magazine



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In The Spotlight

Lloyd Barker at
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A front-on view of a KLM Boeing 747-400 aircraft on a runway. The aircraft is centered, with its four engines and landing gear visible. The sky is a warm, golden-orange color, suggesting sunset or sunrise. The aircraft's fuselage reflects the light from the sky.

Europe reports strong demand for MRO amid lingering supply chain woes

This rise in utilisation has led to an increased demand for MRO services.
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With demand for MRO services surging across Europe, maintenance providers are being more flexible with their capacity coupled with new ways of dealing with aftermarket problems.

By Keith Mwanalushi



Glenford Marston, Senior Vice President – Sales at Aero Norway

The latest industry forecast from Alton Aviation suggests the European MRO segment will grow from \$25 billion in 2023 to \$27 billion in 2033. The analysts predict that Europe will experience the slowest growth among all the regions over the next decade, with a CAGR of only 0.8% and the region will also see reduced

short-haul demand due to sustainability considerations.

As Alton indicate, the quicker recovery of air traffic demand has encouraged airlines to fly aircraft more intensively to meet this demand and bring back inactive aircraft at a faster pace. This rise in utilisation has led to an increased demand for MRO services.

MROs in the region are also keeping a close eye on the current recessionary and inflation driven environment. Glenford Marston, Senior Vice President – Sales at Aero Norway, admits that most businesses are feeling the effect of uncertainty driven by inflation and at Aero Norway, they too have not escaped that – “our customers tend to move for more fixed price deals, and we are called upon to shoulder more of the risk burden.”

Even though Aero Norway’s CFM56 shop visits have levelled to pre-pandemic, margins have not, reports Marston, which he says is a direct effect of the current environment.

Julian Lopez Lorite the MRO Commercial Director at Iberia Maintenance feels the recession has a minimal impact on the cost base but it’s affecting the behaviour of the customer. “They need a different solution, and this is where we must be flexible, like doing partial repairs, modular exchanges,

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Glenford Marston, Aero Norway

and something that will allow them to maintain the budget in this recession period and deferring the big cost for the future,” he observes.

All the MROs are still dealing with supply chain problems, and Lopez Lorite reminds that the supply chain today is not only material, but it’s also having technicians with the right skills to provide the service. Iberia Maintenance kept all its employees during the pandemic, and he feels that was fundamental in readiness for growth. “When you plan to grow, you need to be ready and we also we plan to continue with our apprentice programme.”

However, Lopez Lorite notes that labour shortages have affected some suppliers especially on the material side and hence Iberia Maintenance has increased its own repair capabilities – “The more you can do, the better, and you can control the process. However, you cannot have 100% capability for everything, and we still need to rely on



Apprentice schemes will be key to address incoming labour shortfalls.
© Aero Norway



Julian Lopez Lorite, MRO Commercial Director at Iberia Maintenance

vendors and suppliers, but we are trying to mitigate those shortages.”

Lopez Lorite adds that material consignment agreements with suppliers are helpful and beneficial – “consignment is the best solution, I think, for both.”

Iberia Maintenance is currently in the process of qualification for the overhaul and repair of a new engine model: the GTF™ PW1100G-JM engines that power the new generation aircraft of Airbus A230neo. Iberia has already obtained the capability to carry out this work and is in the process of training its workforce. The first induction of this engine type is expected to happen in the last quarter of this year.

Derk Nieuwenhuijze, Vice President, Strategy, Marketing and Communication at AFI KLM E&M speaks of materials and parts as being a major element in MRO costs. “A significant increase in raw-material prices is trickling down into part cost too, ultimately increasing the cost of MRO services,” he says.

For materials, AFI KLM E&M are looking at several solutions, as Nieuwenhuijze explains: “First of all, we are actively working with the OEMs to ensure the supply chains recover and that we find mitigating actions. Secondly, we continuously look for alternative

sources of parts where that makes sense and finally, and perhaps most important of all, developing more repairs can be a strong lever to avoid material shortages, as well as reducing the environmental footprint.”

Nieuwenhuijze says AFI KLM E&M is placing strong emphasis on finding new generation mechanics. “We expect to hire over 500 apprentices this year and are putting a lot of effort in getting them trained.”

Meanwhile, despite the current inflation driven environment in the EU and UK, the folks at AJW Group don’t see the situation affecting the demand for MRO services; it remains high due to increased airline capacity demand, meaning older aircraft are staying in service longer than they normally would, indicates Scott Symington, Chief Commercial Officer.

Symington states: “What we can see is that despite the inflationary pressures in the industry, and in terms of the cost of equity, capital costs, manpower, supply chain disruption, and material inflation, AJW is committed to long term contracts with our suppliers, OEMs, and third-party MRO vendors, which is mitigating our MRO cost increase as much as possible.”

AJW is seeing significant interest in



Scott Symington, Chief Commercial Officer, AJW

its Power-by-the-Hour (PBH) support solutions from European airlines who are looking to commit to longer flight hour support agreements to secure access to inventory. According to Symington, this offers several advantages, including cost predictability, optimisation of cash flow, excellent service levels, real-time order tracking, and the operational insurance coverage provided by AJW's substantial investment in a rotatable pool.

“These agreements allow operators to outsource responsibilities to AJW without having to manage additional headcount, negating supply chain disruptions and labour shortages affecting the region. The agreements then pass the risk, both in terms of holding inventory and capital cost to the airline, onto AJW Group,” adds Symington.



Derk Nieuwenhuijze, VP AFI KLM E&M Strategy, Marketing & Communication

“A significant increase in raw-material prices is trickling down into part cost too, ultimately increasing the cost of MRO services.”

*Derk Nieuwenhuijze
AFI KLM E&M*



Brexit has brought about its own complexities.

© Keith Mwanalushi

On the labour front, AJW is actively partnering with training institutions to provide entry level aviation training and familiarisation, and to develop advanced programmes covering traditional maintenance skills and emerging areas like digital maintenance technologies for technicians. Educational outreach is at the forefront of the Group's plans to employ more technicians. "When you start by looking at promoting STEM [Science, Technology, Education, Mathematics] focused learning, you encourage skill development in the younger talent pool and spark their interest in aerospace."

AJW is acutely aware that operations must appeal to the Gen-Z mindset and by focusing on AR and AI (Augmented Reality and Artificial Intelligence) digitisation as potential training methods, they offer a strong employer value proposition and an innovative mindset culture with digital enablement at the core of the business.

Aircraft and engine parts are seemingly in tariff-free circulation within the Eurozone but perhaps geopolitical issues like Brexit and the war in Ukraine have shifted the landscape for the movement of aftermarket materials somewhat.

Marston from Aero Norway reckons the full effect of Brexit and the Ukraine conflict has not been felt fully just yet however at Aero Norway has some

concerns going forward, especially the effect on new material (Ukraine war) and movement of people (Brexit). "Over the years the UK has supplied many contractors who could freely move around and work anywhere in Europe. This is not so easy now and is compounding some of the labour shortage being felt in the industry," he states.

Importantly, Aero Norway has focused on finding ways to maintain the labour force and flexibility throughout the downturn – "our facility is managing well, and we positioned ourselves strategically to manage this uptake," Marston adds.

In response to complications caused by Brexit, Iberia Maintenance has responded by modifying the schedules and doing things more in advance especially for UK based customers. "This especially true with our logistics and customs teams that does a really good job working together with the customer," reports Lopez Lorite.

At AJW, Symington notes that Brexit introduced increased customs checks and regulatory changes, affecting the seamless flow of aviation parts between the UK and EU. He says this has necessitated increased paperwork and administrative burdens for MRO service providers and airlines operating in the region.

The AJW headquarters, based in the

UK, supports a vast and diverse global customer base and Symington reveals that it will be expanding EU based warehousing facilities and footprint in the Eurozone to support EU customers more efficiently, mitigating the effects of Brexit.

In addition to AJW's established support hub in Malpensa, Italy, and the expansion of its EU warehousing, it has identified the need to further expand other EU based capabilities across the group. "We have increased our European sales team and now have an established office in Istanbul, Turkey to support the region and the Middle East. We are also expanding our European MRO facility, AJW Technique Europe, to offer our customers reduced TATs and improved efficiency post Brexit."

Symington adds that AJW is also committed to digital transformation to enhance its inventory management and logistics solutions. "We have invested in cutting-edge tracking systems and data analytics tools, including dynamic pricing models, procurement forecasting, blockchain, and RFID tracking. This has allowed us to streamline our procurement processes and significantly enhance operational efficiency combined with a highly proactive inventory investment strategy to mitigate supply chain disruption."



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