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OCTOBER 2023 • VOLUME 25 • ISSUE 7

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TWISTS AND TURNS

It appears that Covid-19 helped to tightened partnerships and possibly put MROs in a stronger position. *Kevin Rozario* reports

1. Ametek repairs
2. Aero Norway engine

“The pandemic changed relationships for the better as it made everyone review their strategy to see if there were better ways to satisfy the customer”

Loved up or straining at the seams? The relationship between OEMs and MROs can go from one extreme to the other – and the crisis caused by the Covid-19 pandemic certainly put some of these tie-ups to the test. But pragmatism usually wins the day and these partnerships appear to have found a new, and firmer, footing.

Some OEM mission creep was apparent before 2019. Adam Guthorn, managing director at Alton Aviation Consultancy, says: “Prior to the pandemic there was a search for margin and a lot of OEMs were pursuing aftermarket strategies to gain a larger market share.” Boeing’s GoldCare service was one early example.

Post-pandemic, those ambitions have been curtailed as OEMs have had to get back to the basics of their core businesses be it airframe, component or engine production, and also sort out the supply chain headaches that still burden the aviation world.

“The OEMs are very good at research and building materials. They are not as good at supporting their products in the aftermarket,” says Guthorn, hence the need to partner with MROs which tend to be more responsive and cost-efficient. Different levels of cooperation exist from airline-affiliated service providers and full joint ventures to more casual arrangements with independent MROs.

At Muirhead Avionics, part of Ametek MRO, David Bentley, divisional vice president and business unit manager, says: “The pandemic changed relationships for the better as it made everyone review their strategy to see if there were better ways to satisfy the customer.”

Andy Wheeler, divisional vice president and managing director at AEM, another division of Ametek MRO, adds: “Most businesses questioned their models in search of a more robust future. In some instances this led to AEM looking more laterally at our strategic alliances with OEMs.”

This kind of soul searching was common. A spokesperson at Lufthansa Technik says: “The level of suffering during the pandemic largely depended on how differentiated the setup and product offering of each market participant had been. Certain players had a high exposure due to being active solely in the field of OEM production for commercial aircraft.” Others, with stakes in defence and/or business jet platforms, or on the MRO side, were less affected.

Managing a slowdown

However, the company, part of Lufthansa Group, said that from its perspective, the pandemic did not impact its relationship to any great degree. Arild Myklebust, procurement and logistics manager at Aero Norway, says: “Aero Norway has, over the years, developed a close relationship with its suppliers, in general for the CFM56 engine family, and we were all in the same boat during Covid-19, but some were more affected than others.





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1. Aero Norway maintenance
2. Adam Guthorn, managing director, Alton Aviation Consultancy
3. Ametek repairs

Siv Sivertsen



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“We were, of course, frustrated as messages came in from suppliers regarding a lack of raw material and shortages of chemicals etc slowing down production on their side. The most troublesome issue was that we did not know when we would get a response to a query, as many supplier staff were working from home and, in some cases, were laid off.”

Such day-to-day issues heavily affected turnaround times (TAT) despite Aero Norway, like several MROs, having a full staff on-site throughout the pandemic. These challenges have lessened, but remain, and dealing with them has been a priority that has brought OEMs and MROs closer together.

For Lufthansa Technik the supply chain crisis has been a relationship builder. A company spokesperson says: “Several OEMs regard us as integral to their problem-solving efforts and actively seek collaboration on smaller joint projects, thereby yielding mutual benefits. This approach grants us enhanced access to intellectual property, enabling us to undertake in-house repairs and alleviate the pressure on their already overburdened service centres.”

But situations vary. Barry Swift, chief operating officer at AJW Group, says: “Evolving mitigation plans and frequent changes put pressure on OEM/MRO relationships, as MROs often had to communicate these plans to end customers. Consequently, tension emerged in end operator/MRO

relationships, with operators seeking robust mitigation solutions.”

By that, Swift is referring to MROs exploring alternative component sources, while collaborating closely with end customers on specific initiatives. He says: “In some cases, MROs had to opt for alternate solutions due to challenges in OEM performance.”

But Swift admits that due to these sustained OEM challenges, all parties – including operators, MROs and OEMs – recognised the importance of maintaining flexibility and cooperation to navigate choppy waters.

For AJW, its partnership with Honeywell has earned the group the distinction of being Honeywell’s channel partner of the year, exemplifying how such collaborations can yield benefits. Additionally, over the past year, AJW has become one of Woodward’s Licensed Asset Management Partners (LAMP) for various engine line-replaceable units, highlighting the continued trend of well-considered tie-ups in the industry.

A broad-based approach

Strategic diversification is also being seen by some as a way to buffer against future crises. Embraer’s OGMA plant near Lisbon, Portugal is in the midst of its biggest expansion programme, costing €74 million, to serve as a Pratt & Whitney authorised maintenance centre supporting GTF and other engines. Muirhead Avionics has also increased its capability “allowing us to provide servicing on a more significant proportion of the aircraft”, says Bentley.

Looking ahead, the relationship between OEMs and MROs is bound to evolve further. Swift says: “Operators have largely been well supported in the post-Covid-19 period, with MROs playing a crucial role in ensuring continuity of service, particularly during the operators’ summer schedules. This has underscored the importance of a strong OEM-MRO partnership in maintaining operational resilience.

“MROs have demonstrated their adaptability and resourcefulness during this challenging period, effectively bridging gaps in material availability. This adaptability, coupled with the flexibility shown by operators, has been instrumental in sustaining the industry.”

But he warns that a notable trend in the coming year is the increased integration of alternative component sources. Swift says: “These practices



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“Looking ahead, the relationship between OEMs and MROs is bound to evolve further”

have sent a signal to OEMs that their strategy of being the sole source for the aftermarket requires a consistent and uninterrupted supply chain. These trends reflect an industry that has learned to adapt and prioritise resilience, ultimately benefiting all stakeholders.”

Bentley says: “Over the next five years, those OEMs performing aftermarket services and independent MROs, like Muirhead Avionics, will need to ensure that they constantly review their strategy to remain competitive and relevant to our customers.” At Aero Norway, Myklebust expects to see closer relationships led by more communication to meet challenges head on.

Less competitive friction

Lufthansa Technik is very bullish on the back of an aviation industry which, as a whole, is experiencing a period of significant expansion. Its spokesperson says: “All primary demand clusters within the global aviation and aerospace sector are concurrently witnessing growth. On a global scale, the production of flight hours for civil transport has returned to pre-Covid-19 levels.

“This resurgence is accompanied by substantial pressure to escalate production rates, driven by robust civil aircraft order books. Moreover, the military and defence segment, along with business jet aircraft OEMs and helicopter production, are also seeing expansion.

“While the supply chain is striving to increase output it is important to acknowledge that some system OEMs are facing difficulties in keeping up. The extent to which this will influence the relationship will have to be observed in the coming months.”

There is also good news for independent MROs. Alton Aviation's Guthorn says: “There is still a very large market of non-OEM affiliated MROs out there and part of that is the time lag in where the MRO demand comes from. The heart of the business is mature aircraft, built 10 to 20 years ago. We size the market at \$112 billion dollars of MRO demand and the majority of that is coming from middle-aged aircraft.”

As for relationship development, Guthorn says: “We'll see more licensed service centres and authorised partnerships, and JVs in certain parts of the world that are hard for the OEMs to serve. I think OEMs will have a cautious approach to the aftermarket and will exert their control through partnership agreements rather than their own expansion.” 

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