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## NEW REGIONAL AIRCRAFT preparing for the aftermarket



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IBA Analysis 

# Time for MROs to act

According to an MRO survey by international management consultancy firm Oliver Wyman MROs need increasing ingenuity if they are to reverse their shrinking market and achieve long-term prosperity.

The balance of power is shifting in the MRO industry with OEMs now having a greater focus on and involvement in the aftermarket. The survey illustrates how OEMs have created barriers for MROs to use non-OEM parts and develop repairs. This has hobbled the MRO community's ability to differentiate through innovation.

In fact, this OEM/MRO relationship will be discussed in detail at the MRO Middle East conference in February in Dubai. Interestingly, Airbus will be represented on the panel examining how the MRO market will develop with increasing OEM presence and what this means for their airline customers. The panel will also discuss where the market is now, what offerings are available for operators, and what future developments are in store, so this should be a highly interesting and controversial discussion.

Picking up on the issue of OEMs our cover story this month looks at the penetration of new regional air-

craft manufactures and the aftermarket potential for these new aircraft. The new OEMs aren't tied to legacy processes or solutions so it will be interesting to see how the market unfolds. As one executive told us during an interview, at the end of the day, these emerging OEMs may prove to be the catalysts for change that permeates the entire industry.

Happy reading!

Keith Mwanalushi  
Editor



New regional aircraft such as the MRJ will bring new technical advances.

Photo: Mitsubishi Aircraft Corporation

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FORGING NEW FRONTIERS



LOTAM signs with BA CityFlyer for technical services

Photo: LOTAMS

### LOT Aircraft Maintenance Services signs agreement with BA CityFlyer for technical services of Embraer aircraft

LOT Aircraft Maintenance Services signed an agreement with British air carrier BA CityFlyer for aircraft technical services. The agreement was signed for 14 months with the possibility of prolonging and it specifies the works in the scope of: scheduled and unscheduled base C checks, and also lower level checks (A and B), AOG (Aircraft on Ground) technical defect rectification, additional works connected with engine replacement, APU (Auxiliary Power Unit), landing gear, structure repairs, NDT (Non-destructive Testing), activities to determine the aircraft centre of gravity, maintenance of aircraft exterior painting (activities leading to reduction of fuel use and repairing exterior aesthetics). The new contract includes Embraer E-Jets (types E170 and E190).

### Aero Gulf Group to power up its specialist CFM 56 engine MRO facility in Sola, Norway

Bahrain based Aero Gulf Group released that the newly named Sola Engine Centre in Norway, which was purchased from Pratt & Whitney late 2013, can now deliver global operators of CFM 56 engines exceptional, industry recognised EGT margin and quality, through the investment, reorganisation and streamlining that has underpinned the Group's strategic

acquisition. It forms the cornerstone of a growing aviation portfolio that will build on the reputation and skills across the region. With a worldwide customer base, including significant penetration of the Middle East, Africa and South Asia, the Group is building upon an investment programme which has increased capacity at the Aero Gulf Sola Engine Centre to 120 engines per annum. Designed specifically for CFM 56 engine maintenance, it is approved to EASA 145 and FAR 145 standards with competitive TAT guaranteed by knowledgeable and highly skilled engineers.

Aero Gulf Group has signed a Memorandum of Understanding with Khaleeji Commercial Bank of Bahrain (KHCB). The Bank is committed to provide Islamic finance to underpin the far-reaching business growth of Aero Gulf Group and in particular its operations within the aviation maintenance, repair and overhaul sector.

### Acro Aircraft Seating to supply Spirit Airlines with 30 shipsets of its Superlight seat

UK-based passenger aircraft seat manufacturer Acro Aircraft Seating has signed an agreement with low-cost carrier Spirit Airlines to supply 30 shipsets of its Superlight seat. The deal which is worth an estimated £6m marks the company's second major US client and equates to 5000 economy class seats including retrofitting five Spirit Airlines' Airbus A319

aircraft this spring and installation on 25 new A321 and A320 deliveries from 2015.

### B/E Aerospace extends and expands agreement with United Technologies Corporation

B/E Aerospace has extended and expanded an agreement with United Technologies Corporation (UTC), to provide aerospace fasteners, hardware, consumables, and logistical services to UTC's aerospace business units for their global operations. The agreement with UTC is through December 31, 2022 and is initially valued at approximately \$950m. B/E Aerospace will supply UTC's aerospace business units (Goodrich, Hamilton Sundstrand, Pratt & Whitney and Sikorsky Aircraft), with aerospace fasteners and hardware as well as a broad range of consumables. In addition, the Company will provide logistical services such as just-in-time delivery, bin management services, integrated supply chain logistics, and airplane-on-the-ground (AOG) support 24 hours a day, 365 days a year.

### Wencor Group signs long term PMA contracts with Major U.S. Airlines

Wencor Group has entered into significant long-term supply agreements with two major U.S. airlines. Both agreements leverage Wencor Group's broad Parts Manufacturer Approval (PMA) parts portfolio and PMA development capabilities to reduce the component maintenance costs for these two leading airline partners. The first contract includes more than 500 PMA parts for use in components, engines, airframe, and cabin interiors and will significantly reduce piece part costs across the aircraft. The major US airline will also benefit from Wencor Group's inventory management programs, which will allow the airline to reduce total cost of aircraft ownership by minimizing inventory investment on select parts.

The second contract is a long term partnering agreement for on-site material supply and new PMA parts development. This unique program provides "power by the hour (PBH)" support that leverages Wencor Group's ability to provide a complete system solution through the use of extensive PMA parts and repair capabilities. The PMA focused "power by the hour" contract is a complete system solution that maximizes maintenance savings and provides a predictable cost of ownership for the major airline customer.



Bombardier CRJ-200 aircraft

Photo: AirTeamImages

**AeroRepair awarded Air Wisconsin wheel and tire support contract**

AeroRepair Corp has been awarded a multi-year contract to provide wheel and tire support for Air Wisconsin Airlines’ fleet of 71 Bombardier CRJ-200 aircraft. The contract requires the total wheel and tire repair and overhaul, associated spares and logistics support for Air Wisconsin’s hubs located at Philadelphia, Washington DC – National and Charlotte, NC and aircraft maintenance bases in Norfolk, VA, Columbia, SC, Milwaukee, WI and Hot Springs, AK. Services are to

be performed and managed at AeroRepair’s Londonderry, NH FAR Part 145 Repair Station, and at a new AeroRepair satellite facility to be announced. AeroRepair also supports Air Wisconsin’s CRJ-200 Brake repair and overhaul.

**Vx CAPITAL selects AEI’s B737-400SF for SPEC conversion**

Aeronautical Engineers reported that Vx Capital Partners have selected AEI to provide their

first B737-400SF passenger to freighter conversion. The aircraft is a standard gross weight B737-400 (MSN 25109) built in 1994 and will undergo freighter modification at AEI’s Authorized Conversion Center, Commercial Jet, in Miami Florida.

**Associated Air Center signs Boeing 787-8 BBJ custom interior completion contract**

Associated Air Center (AAC) has been awarded a new custom interior completion contract for a green Boeing 787-8 BBJ aircraft. The aircraft interior is already under full design review. AAC has also kicked off detailed planning, staffing, training and facilitization in anticipation of the green aircraft’s delivery from Boeing in mid-2014. The completion contract was signed late December, culminating months of discussions and special airframe training requirements from Boeing engineers. The aircraft’s interior was designed by Associated Air Center’s in-house design team using the new Boeing 787 signature periphery as inspiration in creating a comfortable and modern environment.

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### SpiceJet selects Turkish Technic's landing gear services for the next five years

Turkish Technic and SpiceJet expanded their relations with an agreement for Landing Gear Overhaul Services. Turkish Technic will be providing Landing Gear repair and overhaul services including spare support for SpiceJet for its whole Boeing 737-800 fleet between 2013 and 2018. Landing Gear Services will be carried out for a total of 23 sets at Turkish Technic's facilities in Istanbul, Turkey.

### Comtek to manufacture floor panels for Bombardier Aerospace's Global 7000/8000 aircraft

Comtek Advanced Structures, a wholly-owned subsidiary of Avcorp Industries, has been awarded a contract to design and manufacture the floor panels on Bombardier Aerospace's Global 7000 and Global 8000 aircraft. Comtek will commence design engineering in early 2014. Comtek currently supplies floor panels to Bombardier Aerospace for the CRJ700, CRJ900, CRJ1000, Q400 and Learjet 85 aircraft and also provides aftermarket supply to aircraft operators.

### Airline Services Components signs APU consignment contract with ATC Aerospace

ATC Aerospace and Airline Services Components (ASC) announced a partnership de-



SpiceJet selects Turkish Technic's landing gear services

Photo: Turkish Technic

signed to meet and support customers' APU lease requirements. ATC Aerospace will consign a variety of Auxiliary Power Units to the UK parts specialist. This agreement will allow both parties to widen their customer base and develop closer ties for future collaboration. ASC will take a variety of Hamilton Sundstrand and Pratt & Whitney APU's on consignment at their main warehouse at London-Gatwick, to cover the A320, B747, B737, Bombardier Dash 8 and Embraer aircraft platforms. ASC will also look to extend ATC Aerospace's accessible market and distribute throughout ASC's extensive customer base.

### Darwin Airline awards maintenance contract to Volga-Dnepr Technics in Germany

Volga-Dnepr Technics (VDT) in Germany has entered into a contract with Swiss air carrier Darwin Airline for aircraft maintenance support at Leipzig/Halle Airport. The contract provides for the use of Volga-Dnepr Technics' hangar facilities and equipment to carry out maintenance checks on the SAAB 2000s aircraft operated by Darwin Airline as well as the provision of certified personnel. The agreement also includes a provision for Volga-Dnepr Technics to respond in any AOG (Aircraft on



PEMCO announced a new Boeing 737 freighter conversion partnership with COOPESA

Photo: PEMCO

### PEMCO announces Boeing 737 PTF partnership in Latin America

PEMCO World Air Services announced a new Boeing 737 freighter conversion partnership

with COOPESA (Cooperativa Autogestionaria de Servicios Aeroindustriales R.L.) in San Jose, Costa Rica. PEMCO's expansion into Central America provides additional freighter conversion capacity to meet extraordinary demand for PEMCO's

market-leading B737-300 & -400 freighters – the only 737 freighter designed, built, certified and supported utilizing Boeing design data to ensure the reliability and effectiveness of the cargo modification. COOPESA's technical expertise and competitive financials, combined with its great location and culture make PEMCO's newest passenger-to-freighter conversion operation a compelling option, particularly for Latin American markets.

### PEMCO signs multi-year Airbus A320 MRO extension with JetBlue Airways

PEMCO World Air Services (PEMCO) reported a new multi-year contract extension with JetBlue Airways. Under the new agreement, PEMCO will provide aircraft heavy maintenance services for JetBlue's large fleet of Airbus 320 aircraft for up to five years. This is the fifth consecutive year PEMCO has been selected by JetBlue for its airframe maintenance requirements.

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Ground) situations. In winter time the aircraft will be services in the hangar and Volga-Dnepr Technics is also leasing office and warehouse areas to Darwin Airline.

### KLM UK Engineering opens aircraft dismantling & recycling solutions centre

KLM UK Engineering, the Norwich based regional and narrow body aircraft MRO provider, a KLM subsidiary operating within the AFI KLM E&M network, has unveiled its brand new facility for the dismantling and recycling of aircraft. The recycling solutions centre was declared open on December 11th. The new facility is unique to East Anglia and is believed to be one of a handful of aircraft recycling centres in Europe. The development offers a cradle-to-cradle service for a whole range of aircraft including Boeing 737s, Airbus A320s, Fokker50/70/100s and BAe 146/Avro RJs. KLM UK Engineering is now licensed to service aircraft from the day they commence operations until they are removed from service, a potential time frame of 20 years or 18 million air miles.

### Liebherr-Aerospace China receives CAAC's Maintenance Organization Certificate

Liebherr-Aerospace China, Shanghai (China), recently its Maintenance Organization Certificate per CCAR part 145 from the General Administration of Civil Aviation of China (CAAC). Liebherr's new repair station was set up to offer to airlines based in mainland China in-country repair facilities, and thus to improve component support and repair turn-around times. Having started by maintaining Liebherr components installed in Airbus aircraft, it will progressively extend its scope of services to Liebherr components installed on Bombardier, COMAC and Embraer aircraft. With its Shanghai station, Liebherr-Aerospace extends its existing infrastructure in China that had consisted in offering technical support and distribution of spare parts to Airbus aircraft operators, and providing on-site liaison engineering for COMAC's ARJ 21 and C919. It is a further step the company undertakes in order to strengthen its services for Chinese aircraft operators and to support the robustness, the reliability and the in-service performance of Liebherr-Aerospace systems.

### ATR and Royal Air Maroc sign Global Maintenance Agreement

The European manufacturer of turboprop aircraft ATR and the national Moroccan airline Royal Air Maroc announce the signature of a Global Maintenance Agreement (GMA) for the airline's new fleet of ATR '-600' aircraft. Signed for an initial period of four years, the contract covers the four ATR 72-600s already owned by the airline. Having received its first ATR 72-600 in August 2011, Royal Air Maroc was the first operator in the world to operate the aircraft. As set out in this GMA contract, ATR will manage all aspects of maintenance and repair for some equipment for the airline's ATR '-600' fleet. This equipment includes LRUs and propeller blades. By signing this contract, ATR guarantees Royal Air Maroc the permanent availability of these spare parts from its logistics center in Paris. The airline will also use ATR exclusively for all of its maintenance procedures, thus benefiting from the manufacturer's expertise. This will have a positive impact on maintenance costs per flight hour.

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HAECO Cabin Solutions receives first STC

Photo: HAECO

### HAECO Cabin Solutions receives first STC

HAECO Cabin Solutions has received its first Federal Aviation Administration (FAA) Supplemental Type Certificate (STC) on November 30th, for the green cabin completion of a Boeing 767-300ER aircraft for Air Astana. The HAECO Cabin Solutions/ Air Astana contract is for a total of three aircraft. The first two aircraft entered commercial service on international routes on December 12th.

### Atlasjet selects Turkish Technic for landing gear overhaul services

Atlasjet signed Landing Gear Maintenance Services agreement with Turkish Technic for two landing gear sets of A321 aircraft. Landing gear removal & installation, landing gear overhaul activities will be carried out at Turkish Technic's Istanbul facilities. Turkish Technic will also support Atlasjet with its spare units during shop visits. Turkish Technic has been providing MRO services for a wide variety of services for Atlasjet and last year Turkish Technic provided service for two of Atlasjet's landing gear sets.

### Southwest Airlines orders Aviation Partners Boeing Split Scimitar winglets

Aviation Partners Boeing (APB) released that Southwest Airlines has ordered Split Scimitar Winglets for its Boeing Next-Generation 737-800 aircraft. APB's newest program is the culmination of a five-year design effort using the latest computational fluid dynamic technology to redefine the aerodynamics of the Blended Winglet into an all-new Split Scimitar Winglet. The unique feature of the Split Scimitar Winglet is that it uses the existing Blended Winglet structure, but adds new strengthened spars, aerodynamic scimitar tips, and a large ventral strake. APB is expecting to receive FAA certification for Split Scimitar Winglets at the end of January.

### Chromalloy enters into long term agreement with Pratt & Whitney

Chromalloy has entered into three significant new long-term parts and service agreements with leading aircraft engine producer Pratt & Whitney, for manufacturing and supply chain activities on the new PurePower PW1100G-

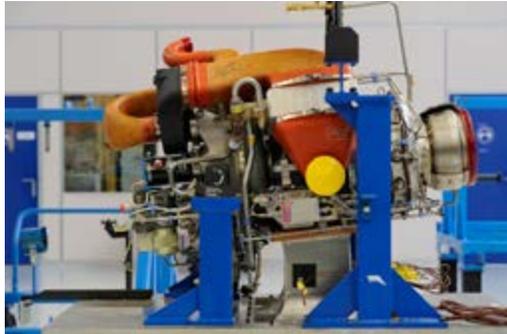
JM engine and to provide aftermarket support on legacy engines. Chromalloy will produce investment cast parts and provide advanced coatings, machining and drilling on other components. The other two agreements cover materials and services for several Pratt & Whitney and Pratt & Whitney Canada aircraft engine platforms.

### Direct Maintenance starts providing B787 line maintenance support

Direct Maintenance, an independent wide body dedicated line maintenance provider from The Netherlands, has started providing line maintenance support to the B787. The Dreamliner is the most sophisticated Boeing aircraft ever produced and the first commercial wide body jet with its primary structure made predominantly out of composite materials. The first support event took place during the inaugural B787 flight of long standing customer Thomson Airways operating into Mombasa, Kenya (MBA) on December 3rd, 2013. By default Direct Maintenance has now become the first line maintenance provider to support the B787 in Kenya.



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EPCOR, back in 2005, needed a software solution to unify and improve its business processes as part of its ongoing LEAN SIX SIGMA effort. Because of this continuous improvement mindset, EPCOR was also searching for a software vendor that would welcome collaboration on future software improvements and integrate the aviation community's best-practice advancements into the software.

### The Solution

EPCOR selected Quantum MRO & Logistics software for several significant reasons:

- Component Control was very open to collaborating with EPCOR to develop the Quantum Shop Control module that is specifically made to comprehensively manage aircraft MRO of components and their associated quality control requirements.
- EPCOR could integrate all of their business software into Quantum

to have a single repository of business data to quickly search and respond to business needs.

- Component Control's software improvement philosophy meant that Quantum would be a living software that adapted over time to encompass evolving industry best practices

Commented Joost Bosman, Quantum Program Manager at EPCOR, "With Quantum, EPCOR has operations focused software optimized specifically for running a LEAN aviation MRO environment. The ongoing successful use of Quantum at EPCOR has resulted in parent company AFI KLM E&M leveraging Quantum to automate surplus part sales and streamline corresponding background logistics."



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# New regional aircraft – preparing for the aftermarket

Analysis by *Keith Mwanalushi*

New regional aircraft OEMs will most definitely have to deal with foreseeable aftermarket challenges compared to more established players, but with claims that the newcomers will bring greater technical advances this could certainly bring new dynamics into the market.



MRJ first commercial delivery slated for 2015

Photo: Mitsubishi Aircraft Corporation

A steady growth in the number of regional jets operating in the global airspace is inseparable from the relatively fast process of fleet renewal. It is forecasted that by 2032 85% of the global fleet will be new, according to aircraft spare parts aftermarket specialists Locatory.com.

“It comes as no surprise given the fact that airlines are faced with the necessity to optimise their fleet performance in order to cut expenses, thus accelerating the retirement of older aircraft and creating the demand for more modern and fuel-efficient ones,” explains Zilvinas Sadauskas, the CEO of Locatory.com. “These are the conditions

that are pushing the leading manufacturers to look for new solutions. Moreover, the growth of the regional jet market has created multiple opportunities for new players to join the race, and such countries as Russia, China and Japan did not hesitate to take advantage of them.”

The regional jet market will become a lot more competitive over the next few years with Comac, Mitsubishi and Sukhoi entering to compete with Bombardier and Embraer. “History has shown that it is difficult to have more than three successful manufacturers in a size category,” observes Paul Sheridan, Head of Consultancy Asia at Ascend.

Dirk Winkler, Senior Sales Executive at Lufthansa Technik is convinced that the regional jet market will remain a niche market over the next decades. Even though the total numbers will grow, he predicts the market share will shrink.

“So the three ambitious entrants will try to find their position in a small battlefield already entered by two hardly fighting OEMs,” says Winkler. Most market outlooks expect new deliveries until 2031 to be between 3000 and 5500 aircraft with one quarter to half be-

ing replacements for existing aircraft, “usually leaving less opportunities for new entrants. Except if they can offer significant advantages over the established OEMs. I personally can’t find those ‘killer benefits’ apart from the purchase price.”

“From my perspective, the question is credibility,” comments Christopher Whiteside, President, AJW Group. “Will the Russians and Chinese for example, be able to obtain sufficient confidence in the market place that their products will be compatible with the many Western systems installed and can they be reliably supported globally?” Whiteside asks. “Personally I think it will be a minimum of 15 years before they have an impact on the majors.”

Customer support is critical for the success of these new programmes. Mitsubishi’s MRJ programme for instance has sought out Boeing to its aid. Mitsubishi Aircraft concluded an agreement with Boeing on customer support of the MRJ and Boeing will provide Mitsubishi Aircraft with 24/7 customer support including spare parts provisioning, service operations and field services.

Growth in other regions will likely take time to catch up to the current market leaders according to Gavin Simmonds, General Manager at AJW Technique. He points out that confidence in the market has filled the regional or-



Zilvinas Sadauskas CEO of Locatory

Photo: Locatory

der books of the major two OEMs for up to two years into the future.

“With the major OEMs launching new platforms this year it will be an uphill battle for new manufacturers to compete. Indeed one major OEM has made the bold move of manufacturing some aircraft in Russia,” Simmonds continues.

Considering that these new manufacturers may have to face challenges including the creation of a global maintenance network being among the most important, how are the MROs and other component and spares providers preparing to service these new crop of aircraft?

AJW for instance has already been in discussions with some of the new OEMs, offering AJW’s global logistics and component support service worldwide. “These OEMs all have to setup up new networks which are independent, or work with existing credible organisations such as ourselves,” says Whiteside.

Simmonds adds: “We are seeing some non-traditional component OEMs entering the market - Garmin for example. For new OEMs, AJW Group offers some of the aspects of business which they don’t yet have for example customer service, regional approvals and guaranteed quality repairs.”

However, not all OEMs are completely new, as Dirk Winkler from Lufthansa notes: “They can partially rely on experiences and structures from prior projects or programme partners. But the challenge is still enormous. The invest-



Enough technical experts will be a challenge

Photo: Avia Solutions Group

ment is high even though some new aircraft show sales mainly in smaller geographical regions. The existence of global support services therefore has high priority for the OEMs but the potential for the MROs is limited.

“We are closely assessing the situation and have started certain activities making use of our already existing successful global support network. Being able to rely on an available structure is essential if you want to provide economically attractive and technically reliable services,” Winkler states.

The new players are also more likely to face

spare parts logistic problems. The absence of an easily accessible spare parts stock may be a serious problem for potential buyers. Winkler agrees that with the low numbers of aircraft sold and potentially to be sold this is in fact a major topic.

“The solution will only come from the MROs or the MROs and OEMs joining. The latter will enable the OEMs to reduce investment while the MROs reduce their risk. There will hardly be a buyers’ market for those aircraft where you get parts at every corner as it is today with the 737 or A320,” Winkler says.

Exostar’s Vice President of Supply Chain Solutions, Doug Russell stresses that spare parts inventory and logistics in the aftermarket is a complicated issue regardless of the age, location, or maturity of the OEM. “The ability to stitch together inventory with planned and unanticipated demand presents a significant challenge under the best of circumstances.

“That’s the bad news for the new aircraft manufacturer players. The good news is that wherever you find a challenge, you also find opportunity, and companies have and will continue to develop and grow businesses to solve this problem. Tackling the challenge may not end up being as daunting as it seems on first blush,” says Russell.

Here is why. Russell explains that the new OEMs are not tied to legacy processes or solutions. That means they can embrace advances in technology with open arms. “Interconnectivity, big data, and in-memory analytics



Dirk Winkler- The regional jet market will remain a niche market

Photo: Lufthansa Technik



Analysts believe Sukhoi have their work cut out

Photo: Sukhoi

set the stage for vastly improved exposure and access to spare parts. These players can circumvent the manual lists and one-way delivery of inventory headaches.”

He adds that they [new OEMs] can more nimbly work with partners to create an ‘Amazon-like’ community of interconnected suppliers and sources that will break down the legacy barriers of parts that are “hidden” in large and small company warehouses. “In addition, these new manufacturers will benefit from performance-based logistics enhancements that leverage the ‘virtual’ collapsing of the complex aerospace supply chain to

better expose its historically dark corners at all layers. At the end of the day, these emerging OEMs may prove to be the catalysts for change that permeates the entire industry,” Russell states.

It is also important that the manufacturers of new aircraft types understand the need for a wider training network for the latest and upcoming regional jets. The lack of qualified maintenance personnel and/or possibilities to prepare adequately trained specialists might limit the development of a proper MRO network thus diminishing the competitiveness of new aircraft types.

Whiteside from AJW says on the basis the systems are Western for example: Collins Flight Data Computer or a Pratt and Whitney engine, “if maintenance personnel are given the right software and technical manuals they will be able to support the servicing of the components for the aircraft which are in operation. However, for equipment manufactured in China or Russia the challenges are more significant.”

Dirk Winkler thinks the training network and type training will be a smaller problem as one can make use of existing providers which offer services around the globe already today. “I guess we will face a lack of aircraft technicians in general and due to the high demand especially in developing countries there will be a challenge to keep them in your company after you invested into training. We already see today that the willingness to move is very high in certain parts of the world.”

But coming back to training and specialists, Winkler notes that if you make sure you have enough technical experts directly at the OEM or at partners then you will be in a better position to counter any teething problems that will occur.

But will that be enough to achieve success? “No,” Winkler says. It seems airlines are seeking those who can manage and bring together all those pieces of services. “And that will be the real challenge for the new entrants.”



Global aftersales support for the new SSJ100 is crucial

Photo: Sukhoi

# The Power Lies Under the Surface



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### GA Telesis launches GA Telesis Aviation Investments

GA Telesis and Wafra Capital Partners jointly announced that GA Telesis has raised \$500m from institutional and private clients advised by Wafra Capital Partners to establish a new aviation investment vehicle focused on aircraft and engine investment opportunities. The vehicle will be named GA Telesis Aviation Investments LLC ("GAIN") and will be managed by GA Telesis Capital Management, a wholly owned subsidiary of GA Telesis. Together with the capital raise, GA Telesis' own capital, and existing credit facilities, GAIN's capacity for investments is up to \$1bn. GAIN will seek to make investments in commercial aircraft, engines and new generation component inventories, for long-term or short-term lease. GAIN will also acquire assets for immediate disassembly and resale of the components and parts. GAIN has broad flexibility to make investments with a variety of durations in a wide range of asset types and across the capital structure. GA Telesis currently owns and manages a fleet of 60 engines and 30 aircraft and has disassembled nearly 200 aircraft and 500 engines since 2002.

### LCI and KKR Financial Holdings announce strategic investment

Lease Corporation International, a Libra Group company, and KKR Financial Holdings, a specialty finance company managed by a subsidiary of KKR & Co. L.P., have entered into a definitive agreement under which KFN has agreed to invest in excess of \$100m in LCI Helicopters (LCIH), the helicopter leasing subsidiary of LCI, in exchange for a minority stake in LCIH's common equity. The strategic investment will allow LCIH to grow its fleet significantly and advance its leadership position in the rapidly expanding helicopter leasing business. "This transaction deepens our already significant commitment to the rotary wing sector of the aviation market," said LCI CEO Michael Platt. "Our partnership with KKR Financial will provide us with future growth opportunities and further strengthen our position in the marketplace."

### Wencor Group announces acquisition of flight line products

Wencor Group announced the acquisition of Flight Line Products. As an authorized Part 145 FAA and EASA repair station, Flight Line Products is a leading provider of both PMA parts and specialized repair services for a wide-range of commercial aircraft seating and interior systems. Flight

Line Products further augments Wencor Group's interior capabilities as it specializes in complete aircraft seat MRO services through innovative engineering solutions, a diverse array of PMA parts and broad repair capabilities. This unique combination of interior offerings allows customers to turn to Wencor Group when seeking a maintenance solution for an entire ship set of seats as well as a broad array of specific interior parts.

### HEICO Corporation reports record net income for fourth quarter and full year 2013

HEICO Corporation reported that net income increased 25% to \$29.8m for the fourth quarter of fiscal 2013, up from \$23.8m for the fourth quarter of fiscal 2012. For the fiscal year ended October 31, 2013, net income increased 20% to \$102.4m up from \$85.1m for the fiscal year ended October 31, 2012. Net sales increased 19% to \$287.4m for the fourth quarter of fiscal 2013, up from \$242.4m for the fourth quarter of fiscal 2012. For the fiscal year ended October 31, 2013, net sales increased 12% to \$1,008.8m, up from \$897.3m for the fiscal year ended October 31, 2012. Operating income increased 22% to \$55.6m for the fourth quarter of fiscal 2013, up from \$45.6m for the fourth quarter of fiscal 2012. For the fiscal year ended October 31, 2013, operating income increased 12% to \$183.6m, up from \$163.3m for the fiscal year ended October 31, 2012.

### AAR reports second quarter fiscal year 2014 results

AAR reported second quarter fiscal year 2014 consolidated sales of \$540.7m and net income of \$20.0m. For the second quarter of the prior fiscal year, the Company reported sales of \$512.8m and net income of \$17.8m. Sales in the Aviation Services segment increased 8.7% to \$424.7m, driven by growth in the Company's supply chain operations, which includes the delivery of two aircraft to the U.S. Marshals Service, increased MRO activity and continued steady demand for airlift support. During the quarter AAR secured FAA approval to begin MRO operations in Lake Charles and completed its first heavy maintenance check for a customer at this facility, in addition to ramping up a third maintenance line at the Duluth MRO facility. AAR was also awarded a contract extension through October 2014 for 10 rotary-wing aircraft for the Department of Defense (DoD) and NATO operations in Afghanistan.

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**China Eastern Airlines'** new Airbus single aisle fleet will fly with Thales's newest avionics solutions. The selection includes surveillance systems, flight management systems and head up displays. Following Airbus' announcement to integrate Thales's ACSS T3CAS surveillance platform as the preferred solution on all new single aisle aircraft, China Eastern is the first major Chinese airline to select this new generation system. Also equipped on the aircraft will be TopFlight, Thales's Flight Management System (FMS). This system, developed with GE aviation, is the number one choice for Airbus single aisle jets with over 60% market share. The Thales Head Up Display (HUD) is the sole solution certified on Airbus aircraft and compliant with the latest Civil Aviation Administration of China (CAAC) roadmap for HUD integration in Chinese registered commercial aircraft.



Avia Solutions Group Air Livery

Photo: Avia Solutions Group

**Avia Solutions Group**, a WSE listed global provider of one-stop-shop aviation business solutions, has recently signed a partnership agreement with Air Livery, a European aircraft repainting, interior repair and refurbishment service provider. Under the agreement, Avia Solutions Group will operate as an exclusive sales representative of Air Livery in Russia, Ukraine, Georgia, the Baltic States as well as the entire CIS region. Based on the new partnership, Avia Solutions Group along with its subsidiaries will promote and sell comprehensive aircraft repainting solutions, including livery design and concept realization, engineering support, cabin interior repainting and mobile repair as well as AOG recovery and mobile graphic application support. The aforementioned repainting solutions will be available for the owners and operators of a wide range of aircraft types, including business & corporate jets as well as all commercial airline aircraft from regional turbo prop and jets up to B747-800. All services are to be delivered throughout the Air Livery's extensive network of 18 Painting Facilities located across Europe.

The rebranding of **Eurocopter** as **Airbus Helicopters**, effective January 8th, marks a new era in the history of the company, which joins **Airbus** and **Airbus Defense & Space** within the new Airbus Group. Airbus Helicopters will benefit from and enrich the Airbus brand as it develops, manufactures, markets and supports a diversified and highly capable rotorcraft product line. "This rebranding works hand in hand with our ongoing transformation, which is now bolstered by the Airbus brand's strong foundation in innovation, quality and industrial excellence," said Guillaume Faury, President of Airbus Helicopters. "Both of these together will serve our ambition of setting the industry standard in terms of safety, mission capability and performance for our operators around the world."

**Commsoft** has signed a 2 year, 3 concurrent users' contract with **GGAC Aviation Consultants** for the use of OASES. OASES, designed to combine ease of use with a technical sophistication that allows for the full integration of all maintenance and engineering functions, is structured in a modular format and GGAC will be using the following modules: Core, Airworthiness, Planning and Materials Management. GGAC is providing fleet management support for a small fleet of Boeing 737 'classic' and Airbus aircraft, working both with lessors and a major European airline.

As part of on-going research and development into future technology options, **Airbus** has signed a memorandum of understanding (MoU) with **EGTS International**, a joint venture company between **Safran and Honeywell Aerospace**, to further develop and evaluate an autonomous electric pushback and taxiing solution for the A320 Family. The agreement marks the selection of EGTS International's Electric Green Taxiing System to be evaluated as a new option on the A320 Family – referred to by Airbus as eTaxi. This option would allow the aircraft to push-back from the gate without a tug, taxi-out to the runway, and return to the gate after landing without operating the main engines. eTaxi will use the aircraft's Auxiliary Power Unit (APU) to power electric motors fitted to the main landing gear wheels. The architecture will include the ability for pilots to keep full control from the cockpit over their aircraft's speed and direction during taxi operations.

**AgustaWestland** opened a new office in Seoul, Republic of Korea. The office will strengthen AgustaWestland's position in the Far East by better serving existing Customers and promoting future business with military, government and commercial Customers. In the Republic of Korea AgustaWestland has experienced an expansion of its market presence with approximately 50 helicopters of various types in service or on order in military, parapublic and commercial roles ranging from naval applications, search and rescue, law enforcement, firefighting and VIP/corporate transportation. This growing presence was supported earlier this year by a major contract for eight AW159 Maritime Operational helicopters for the Republic of Korea Navy, thanks to the heritage established by the Republic of Korea Super Lynx and also includes excellent and solid partnerships with local players such as Firstec Co. and Doodam Systems Co.



AgustaWestland opens new office in Seoul, Korea

Photo: AgustaWestland

## A soft-aware approach



Nigeria's Arik Air is one of the latest airline customers for OASES

Photo: Bombardier

Founded in 1971, Commssoft (Communications Software (Airline Systems) Ltd) won its first airline contract in 1975. Today, the company is globally recognised in aviation engineering and maintenance systems. Commssoft's flagship product, OASES (Open Aviation Strategic Engineering System) is currently in use by over 50 organisations around the world.

Specialist MRO IT systems such as OASES are used extensively by airlines, corporate and spe-

cialist aviation operators, third party MRO organisations, CAMOs and technical bureaux and parts supply organisations as complexity of aircraft maintenance processes increases.

Recently, Commssoft added Nigerian airline, Arik Air to its growing list of OASES users in a five year, 30 concurrent users deal. The Lagos-based airline will be using OASES to support the development of its internal CAMO capabilities and is likely to appoint an OASES-experienced third party contractor as an implementation partner to assist with training and other aspects of process development. The initial focus will be on Arik Air's two Airbus A330-200s, but this will be expanded to incorporate the rest of the airline's fleet, including Boeing 737-800s, 737-700s, Bombardier CRJ-900s and Dash 8 Q400s. Arik Air also has ambitious plans to expand its fleet further with a number of new generation aircraft.

In terms of plans to upgrade the system in future Nick Godwin, MD of Commssoft, tells AviTrader MRO

that OASES is continuously improved in line with feedback from both established and prospective customers. "Faster processing and near real time data transmission will allow MRO IT systems to progress from being engineering compliance and reporting tools to being active decision support systems and offering economic advantage through real time integration with finance, operations, HR and other systems," explains Godwin.

He adds that increasingly, the use of KPI (Key Process Indicator) and BPI (Business Performance Indicator) dashboards with customisable alerts, status indicators and business tracking are being requested thus turning such systems such as OASES into senior management tools. "Most of the new developments relate to these areas and interfaces with higher speed mobile technologies used in the hangar and on the flight deck," says Godwin.

Commssoft's head office is in the UK in Tiptree, Essex. The company also has regional offices in Derby and Norwich and another close to Gatwick Airport as well as an office in Australia and support partners in India and Singapore.



Nick Godwin - OASES is continuously improved in line with feedback



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# Independent consortiums – A cost effective alternative to integrated through-life aircraft maintenance solutions?

Analysis by Rus Sutaria – Avia Intelligence, London

For years, aviation and aerospace has enjoyed the benefits of operator codeshares and alliance partnerships. Even manufacturers like Airbus in its' previous legal form of a consortium has enjoyed unparalleled success in this regard. Yet MROs are only just beginning to recognise the benefits of that time honoured saying 'United we stand, divided we fall'. Rus Sutaria reviews current MRO thinking and attempts to assess whether the alliance partnership or co-operative approach to aircraft maintenance is the safest way forward against intense - OEM lead - MRO competition.



Rus Sutaria, Director – Content and Knowledge Services  
Photo: Avia Intelligence Ltd

For some time now OEMs have recognised that the real money is not just in selling aircraft, but also in supporting the after-market needs of operators. There are already excellent examples of this principle out there. Boeing's 'Goldcare' and its' collaboration with the likes of British Airways Engineering, Nayak and Honeywell is a case in point, and provides the operator with a broad brush of maintenance repair and overhaul support capability in terms of both line and base maintenance activities.

As a result of this approach, independent MRO businesses face a new form of competition that is now OEM led. The reader might understandably raise the question, how did the MRO boys miss this particular trick? Business independence still appears to trump any

forms of collaborative strategy where MROs are concerned, and as such these guys remain as resistant to willingly surrendering their independence, despite a steady erosion of MRO market-share and increasing isolation in the face of OEM-lead business collaborations. There is also the possibility that the MROs quite simply have not identified or have dismissed such initiatives.

The question that needs to be addressed is whether the smaller independent MROs have missed the boat, or if there is a strategic means through which future survival can be assured. Logic would assume that in order for the more willing independents to have any chance of survival, much less retaining any market-share, that these MROs reconsider just how important independence is to them, and examine the possibility of leading or forming a part of co-operatives, or even a maintenance alliance partnership.

Failure to do so, in the long term, could mean the formation of 'J.R. Ewing' styled aircraft maintenance cartels and the establishment of unchallenged monopolies. The Goldcare model and its' equivalents are innovative in that whilst providing the operator with an aircraft to fly, the OEMs also provide a comprehensive 'on-stop-shop' in terms of aircraft maintenance and technical support, not least providing owners and operators with a truly 'through-life' programme of continuing airworthiness.

The incorporation of preferentially priced 'through-life' maintenance support of this nature into aircraft operating lease agreements (wet leases in particular), would also provide the likes of Boeing and Airbus with that additional edge where aircraft sales are concerned.

The smaller independents must work together to form consolidated business partnerships that are entirely complementary in terms of services offered, and must also present themselves as the cost and quality alternative to the bigger OEM players. The key here will be to provide a 'front-of-shop' branding image that provides a comparable "through-life" service to that of Goldcare and the Airbus equivalent. This may involve a respected and note-

worthy MRO business leading a consortium of smaller tier 2 aircraft and component MROs. Are any of the larger independent MROs feeling ambitious?

Smaller independent operators and in particular low cost carriers with approved 'in-house' maintenance capabilities should also take note, and seek-out other like-minded operators and MROs to provide comparative services at their own operating hubs and maintenance bases.

It is important to point-out, that such co-operative or alliance partner arrangements must be very careful not to introduce identical or similar business capabilities into the partnership or co-operative, as this may have potentially damaging consequences both legally and contractually, as well as commercially.

The possibilities and potential benefits of independent MRO Co-operatives and alliances seem clear, yet there are few independent MROs that actually work together in this way. The question is why is there is a lack of interest or even an unwillingness to enter into partnership or co-operative arrangements?

The article has already alluded to the MRO's reluctance to compromise on their independent status. However, these organisations should be reminded that working alongside former competitors in collaboration does not mean giving away the company's 'crown-jewels'. Believe-it-or-not, independent MROs can still be essentially independent! More so, co-operative arrangements offer an improved level of flexibility that may not currently be enjoyed by the Goldcare partners of this world, whilst still maintaining that air of independence.

It is without reasonable doubt, that MROs in terms of their capabilities cannot be 'all things to all men'. However, once allied with a co-operative or partnership, the independent can offer a far wider range of capabilities through introductions and referrals to other co-operative/alliance members. Okay, we know what your commercial departments must be thinking - 'What's in it for us?' A crucial element for success may seem obvious, but, the main objective here will be to ensure that the in-

terests of all of the parties involved are well protected as well as mutually and financially beneficial.

The creation of a viable and manageable alliance or co-operative structure will present a number of challenges, pricing and revenue-share being a major stumbling-block and potential deal-breaker. Equally as important is a choice. Does the alliance or co-operative choose a singular member to maintain control and oversight of the overall organisation (this does mean some loss of independence), or do individual members provide the same control and oversight over each other. This is a critical decision, and could lead to the alliance or the co-operative being still-borne or worse still never being conceived.

Ensuring quality and consistency in terms of the delivered product or service has never been easy, and the production problems associated with the B787 prototype are a case

in point. This, somewhat thorny yet unavoidable issue, is even more complex, when ensuring that critical documentation in terms of MOE and SOP data is carefully considered in terms of technical and operational parities amongst independent co-operative members, and standardization issues amongst alliance partners.

It would not be unreasonable to suggest, that a challenge to independent alliance partnerships and co-operatives could well be related to approval and regulatory issues and fears, particularly if the co-operative or alliance partnership has to account for cross-border requirements from the operators as well as the regulators. Undoubtedly this would be a very difficult and time-consuming equation to solve.

A large proportion of this document, has addressed the growing challenges that will need to be faced by the independent MRO. Yet,

the choice of competitive MRO's available to the operator will soon be in serious decline. Ultimately, combined pricing strategies from independent alliances and co-operatives will facilitate a much needed balance in the MRO market, and help the independents retain some of their hard-earned market-share, whilst offering the operator a broader choice that is based on the 'through-life' principle.

The need to maintain independence, together with seemingly insurmountable commercial, technical, operational and regulatory challenges, the reluctance to give-up partial or even complete independence is understandable, and in the face of initiatives like Goldcare, perhaps the boat has been missed. However, with the application of creative solutions and careful management in all regards, the next boat does not have to leave without the smaller independent MROs being on-board.

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**Mxi Technologies**, a leader in aviation maintenance management software, reported that **LAN Airlines (LAN)** has gone live with a full footprint upgrade to Maintenix version 8 (v8) across the Group's affiliate passenger and cargo carriers — a global network comprising of over 4000 end users. In addition to enabling standardization on a single MRO platform, the upgrade to Maintenix v8 supports the maintenance network in contributing to LAN's overall vision of being recognized as one of the world's ten best airlines. Mxi's Maintenix v8 software stream provides LAN with a scalable platform that meets the Group's objectives for organizational expansion, business process efficiencies, and the adoption of new features and usability enhancements. These features of the v8 stream include significant advancements in materials management, purchasing, maintenance his-

tory navigation and data search capability, heavy and long range planning tools, user experience improvements, and mobile touchscreen deployment. The upgrade project was completed seamlessly with minimal impact to operations and end users as they cut over to the v8 production environment and released the system to all affiliates across South America.

**Armac Systems**, a leading aviation MRO inventory optimization solutions provider, announced its Rl-Osys 9.0 solution has achieved SAP certification as powered by the SAP NetWeaver technology platform. The solution works with the plant maintenance and materials management software in the SAP ERP application and other solutions in the SAP for Aerospace & Defense solution portfolio, providing a fully integrated maintenance, repair and

overhaul (MRO) inventory optimization solution for rotatable, repairable, expendable and consumable inventory.

Wheels Up, the revolutionary membership-based private aviation company, has chosen **ARGUS International's** AVMOSES software to manage customers' flight-related activity. Wheels Up offers a member experience in a high-tech and high-touch manner that would only be possible by pairing the industry's most attentive member services team with AVMOSES' enterprise management software. AVMOSES was designed and built to quickly, efficiently, and accurately manage the many variables of the private aviation experience, and allow each member of an aviation organization to interface with the system in a personalized manner, based on their individual roles and responsibilities.

People On The Move



Robert Perna, senior vice president and general counsel  
Photo: Rockwell Collins

Rockwell Collins released that **Robert J. Perna**, has been appointed senior vice president and general counsel for the company, effective Jan. 13, 2014. Perna will succeed Gary Chadick, who has announced his resignation to pursue other interests. Chadick will remain with the company as senior vice president and secretary until Feb. 7th, after which Perna will assume the full title of senior vice president, general counsel and secretary.

Boeing Chairman, President and CEO **Jim McNerney** announced the promotion of two top executives to vice chairmen, the naming of a company president and chief operating officer, and the selection of new leaders for Boeing Defense, Space & Security and Boeing Military Aircraft. **Dennis A. Muilenburg** is named Boeing vice chairman, president and chief operating officer. Muilenburg, currently Boeing executive vice president and president and CEO of Boeing Defense, Space & Security, will join the corporate team in Chicago and will

share oversight with McNerney of the day-to-day business operations of the company. **Raymond L. Conner** is promoted to Boeing vice chairman, president and CEO, Boeing Commercial Airplanes. Conner has led the Commercial Airplanes unit since June 2012 and will remain based in Seattle to continue overseeing that growing business, which now accounts for more than 60% of Boeing revenues. **Christopher M. Chadwick** is appointed Boeing executive vice president, president and CEO, Boeing Defense, Space & Security, replacing Muilenburg. Chadwick will remain based in St. Louis, where he currently serves as president of Boeing Military Aircraft, the largest division of the unit he will lead. **Shelley K. Lavender** will replace Chadwick as the leader of Boeing Military Aircraft. She currently serves as vice president and general manager of Integrated Logistics for the Global Services & Support business within Boeing Defense, Space & Security.

Rockwell Collins reported that its acquisition of



Jeff Standerski, senior vice president, Information Management Services  
Photo: Business Wire

ARINC Incorporated will serve as the foundation of a new Information Management Services (IMS) business that combines ARINC with Rockwell Collins' Flight Information Solutions business and its Ascend family of products and services. **Jeff Standerski** has been appointed senior vice president of Information Management Services. The new business will report to Rockwell Collins CEO and President Kelly Ortberg, along with the company's existing Commercial Systems and Government Systems businesses.



Jerry DeMuro new president and CEO of BAE Systems  
Photo: BAE Systems

BAE Systems announced the appointment of **Jerry DeMuro** as president and CEO of BAE Systems, effective February 1st, 2014. He succeeds Linda P. Hudson, who in August 2013 announced her intention to retire from the company in 2014. He will be appointed as an executive director of BAE Systems plc and will serve on BAE Systems' Executive Committee, as well as on the board of BAE Systems. DeMuro will report to Ian King, chief executive of BAE Systems plc, and Michael Chertoff, chairman of the board for BAE Systems.