

# MRO

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## FINAL CALL

Since this will be my final publication as editor, let me say what a pleasure it has been to cover this vibrant, fast-paced and fascinating sector. The range of issues which cross an editor's desk in the MRO world make it a consistently challenging and dynamic experience and I'm glad to have made the acquaintance of so many great people.

As a send-off, we have a bumper issue full of foresight and trenchant comment on the future shape of the industry, looking at how MRO operations could be rated and compared – and how they currently measure up. This kind of new thinking, based on the ability of new technology to capture data that was previously inaccessible or impossible to compute, is transforming many industries, from the percentage of soccer players' good tackles to the smallest details of a jet engine.

Both our chief correspondent Keith Mwanalushi and our industry partners IBA offer their distinctive views on the subject of ratings and methodologies this month, providing well-rounded and in-depth coverage of a vital part of the industry's make-up: if clients know who is delivering a better service, at a better price and a faster speed, they are likely to tailor their contracting activities to follow suit.

This will present real challenges to the industry: some companies will be obliged to raise their game.

So as the sun sets upon the Nicholson MRO editorship, and I set off for airspaces new, let me wish you all a very prosperous time in the industry and hope you continue to enjoy reading the sector's premium publication for many years to come.

Farewell!

David Nicholson

[www.freelancejournalist.co.uk](http://www.freelancejournalist.co.uk)

[dn@freelancejournalist.co.uk](mailto:dn@freelancejournalist.co.uk)

+44 7802 834477



MRO operators will need to raise their game

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11340 Kestrel Drive  
Richmond, BC  
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Email: [peter.jorssen@avitrader.com](mailto:peter.jorssen@avitrader.com)  
Tel: +1 (604) 448 0970  
[www.avitruader.com](http://www.avitruader.com)

### Editorial

David Nicholson, Editor  
Email: [editor@avitrader.com](mailto:editor@avitrader.com)  
Tel: +44 (0) 20 7359 1200  
Mobile: +44 (0) 7802 834477

Alex Ward, Deputy Editor  
Email: [alex.ward2106@gmail.com](mailto:alex.ward2106@gmail.com)

James Thurman, Designer  
Email: [james.thurman@hotmail.co.uk](mailto:james.thurman@hotmail.co.uk)  
Mobile: +44 (0) 7944 486447  
Web: [snakesandsymbols.daportfolio.com](http://snakesandsymbols.daportfolio.com)

### Advertising inquiries

Jenny Falk  
Head of Sales & Marketing  
Email: [jenny.falk@avitrader.com](mailto:jenny.falk@avitrader.com)  
Tel: +49 (0) 8761 346007

### Registration

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## Moving ahead with your iPad®!

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Technology moves quickly, and at Fokker Services it is our policy to stay ahead of the game. We design and launch more than 300 aircraft modifications every year, believing that even an already functioning product can be improved on. In recent years Apple has captured the hearts of the consumer with their innovative thinking.

Combined with the history and experience at Fokker, the development of such an innovative yet simple solution felt like a natural progression. Airline operators today are under a lot of pressure to meet growing demands. Products must be efficient, safe, cost effective, user and environmentally friendly; The EFB solution for iPad® application is ticking all the boxes.

The EFB solution for iPad® is EASA certified (Class 2 Type B) and requires no expensive ICT infrastructure. Easy installation ensures aircraft can be converted with very limited downtime at a cost that is incomparable to anything else on the market. An added benefit of the application is the availability of unlimited nav chart publications; eliminating the need for paper navigation charts on board.

The EFB solution for iPad® application is supported by the three main nav charts suppliers Navtech, Lido and Jeppesen and is available for immediate use on all Fokker, Bombardier, Airbus and Boeing aircraft.

For more information, contact Fokker Services at +31 (0)88 628 00 00, visit [www.fokkerservices.com](http://www.fokkerservices.com) or send us an email: [info.fokkerservices@fokker.com](mailto:info.fokkerservices@fokker.com)

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*Fokker*



Spirit A319

Photo: Spirit Airlines

#### Fokker signs additional contract with Airbus for A350-1000 composite Outboard Flap

Fokker Aerostructures has signed an important contract with Airbus for the development and manufacturing of the Outboard Flap for the A350-1000, the largest variant of the A350 XWB family of aircraft. Outboard flaps increase the surface-area as well as the camber of the wing during take-off and landing. The design of the A350-1000 composite flap has been customized because of the new wing design of this variant and because of the enlarged fuselage. Development activities have already started in close collaboration with Airbus in Bremen, where a team of Fokker engineers is co-located onsite with the Airbus team. First hardware deliveries are scheduled for 2015. The new contract means employment for 50 highly qualified specialists at Fokker. The Outboard Flap for the A350-800 and A350 -900 variants has also been designed by Fokker and is currently in production in Papendrecht. The awarding of this contract further expands Fokker's position as supplier of the outboard flaps for all variants of the Airbus A350 XWB family and is therefore considered a significant milestone.

#### Lufthansa Technik AERO Alzey services Arkia Israeli Airlines

The Israeli operator Arkia Israeli Airlines (AIZ) and Lufthansa Technik AERO Alzey (LTA) have agreed on a closer cooperation in engine repair and overhaul

for Arkia's CF34-10E powered E195 aircraft. First MRO services have been accomplished supported by Spare engine lease. AIZ is operating a mixed fleet of B757, ATR72, E195 and Business Jets with further plans for fleet expansion. LTA has been selected as partner to accompany this development.

#### AMG Flite Components in support & repair partnership with Spirit Airlines

Aero Maintenance Group (AMG) subsidiary, AMG Flite Components (Flite) has entered into a radomes support and repair partnership with Spirit Airlines in support of their growing fleet of more than 50 A320-family aircraft. The multi-year partnership places spare radomes at Spirit's key maintenance locations and provides minor repair to full overhaul services for all

Spirit radomes. Spirit Airlines and AMG Flite Components teamed together partly because of Flite's abilities to perform maintenance and testing on quartz radomes economically with rapid response times, thus providing high potential savings to the Americas' premier Ultra Low Cost Carrier.

#### TAP Maintenance and Engineering Brazil receives EASA certification for E-Jets family

In 2010, TAP Maintenance and Engineering Brazil earned the certificate of an Embraer Authorized Service Center (EASC) in Brazil, becoming the only aircraft maintenance company in Latin America certified for all service levels on all commercial aircrafts manufactured by Embraer, as regulated by ANAC and FAA. Now, TAP M&E Brazil – which already holds numerous certifications to perform aircraft heavy checks of the main manufacturers – has received certification from EASA (European Aviation Safety Agency) for all maintenance levels on all E-Jet models manufactured by Embraer. Consequently, this will significantly increase the possibility of performing more services, especially for European operators. TAP M&E Brazil's industrial complex consists of two maintenance centers, one in Rio de Janeiro (GIG) and the other in Porto Alegre (POA) where, besides aircraft services, it offers several capabilities for engines, landing gear and aircraft components together with certificates from aviation authorities such as ANAC, FAA, EASA, TCCA, DGAC and others.

#### Finnair signs heavy maintenance contract with SR Technics in Malta

SR Technics – part of the Mubadala Aerospace MRO network – has signed a contract with Finnair for the provision of heavy maintenance visits (D-checks) including paint works on two



SR Technics headquarters in Zurich

Photo: SR Technics

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WHAT IT TAKES TO FLY.

of the airline's Airbus A320s. The work will be completed at SR Technics Center of Excellence for narrow body aircraft maintenance in Malta. The first aircraft has already been inducted. The contract follows the signing of a cornerstone 10-year contract with Finnair in July 2012 for CFM56 engine maintenance and integrated component services (ICS) support for its Airbus and Embraer fleet.

#### [Airbus' Runway Overrun Prevention System \(ROPS\) certified on A320ceo Family](#)

Airbus has achieved initial EASA certification of its innovative Runway Overrun Prevention System (ROPS) technology on A320ceo-family aircraft. This onboard cockpit technology, which Airbus has pioneered over several years and is now in service on the A380, increases pilots' situational awareness during landing, reduces exposure to runway excursion risk, and if necessary, provides active protection. In March this year American Airlines selected ROPS to equip its A320-family fleet. This EASA certification of ROPS on the A320ceo is the next step in making ROPS available for linefit and retrofit other Airbus models including the A320ceo with Sharklets, the A330-family and the A320neo. ROPS was first approved by the European Aviation Safety Agency (EASA) on the

A380 in October 2009 and to date is currently in service or ordered on most of the A380 fleet. ROPS is also part of the A350 XWB's basic configuration.

#### [Reliance Aircraft International disassembles ex-Gulf Air 767-300ER](#)

Reliance Aircraft International in Austin, Texas is disassembling an ex-Gulf Air 767-300ER, -80C2 power (24485). Company president Terry Hix states: "This will be the 10th aircraft disassembled by RAI since its company launch in 2011. RAI's diverse inventory along with the extensive knowledge of both Boeing and Airbus aircraft by our team allows us to support a wide spectrum of the commercial aftermarket all while providing immediate hands on customer service."

#### [GE Aviation and CAIGA sign agreement for H80 Family Authorized Service Center in China](#)

China Aviation Industry General Aircraft (CAIGA) signed an agreement with GE Aviation to become the first authorized service center for the H80 turboprop engine family in China. With this agreement, CAIGA Customer Service Center can perform line maintenance inspections and routine engine maintenance including

removal and replacement of H75, H80 and H85 engines and engine components. Last year, CAIGA selected GE's H85 turboprop engine to power CAIGA's five-seat, light single-engine pressurized turboprop business aircraft with a carbon fiber composite airframe. It is one of the fastest pressurized single engine turboprop aircraft in its class.

#### [ExpressJet selects AAR to provide landing gear overhaul services](#)

AAR announced a five-year contract with ExpressJet Airlines to provide landing gear overhaul services on its fleet of 104 Embraer ERJ-145XR aircraft. AAR will perform gear overhauls in a dedicated regional aircraft product area at its 180,000ft<sup>2</sup> Landing Gear Services MRO facility in Miami. ExpressJet, a wholly owned subsidiary of SkyWest, is the world's largest regional airline.

#### [EirTrade Aviation completes purchase of 737-500 airframe for teardown at new Irish facility](#)

EirTrade Aviation Ireland has completed the acquisition of a 737-500 aircraft which will be dismantled in their hangar at Ireland West Airport in Knock, Ireland. This is the first 737CL aircraft to be purchased by EirTrade for teardown and will be the third aircraft to be



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Call: +44 1403 798000  
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disassembled at their facility this year. EirTrade Aviation was founded by a team of aviation professionals in 2010 and has its headquarters in Dublin. EirTrade provides aircraft and engine teardown management, sales and consignment of aircraft and engine components, and back-to-birth traceability on aircraft engine records to maximise their value.

#### [Aviation Partners Boeing signs 737-800 Split Scimitar Winglets order with TUI Travel](#)

Aviation Partners Boeing has formally received an order from TUI Travel for 737-800 Split Scimitar Winglets. This 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 fin. This advanced technology winglet is the ultimate winglet in terms of performance without increasing the existing wing span. Earlier this year, APB launched the Split Scimitar Winglet program for the provisioned wing 737-800 (line number 778 and on) and 737-900ER with an order from United Airlines. FAA supplemental type certification for the Boeing 737-800 is targeted for October 2013 and EASA certification planned for December 2013. Certification flight testing of Split Scimitar Winglets is currently underway.

#### [LTLS operates warehouse for SuperJet International in the U.S.](#)

Lufthansa Technik Logistik Services (LTLS) and SuperJet International are stepping up their collaboration. LTLS is supplementing the spares distribution center in Frankfurt, Germany by taking over responsibility for SuperJet International warehouse operations in Fort Lauderdale, America. By deciding for this supply setup, SuperJet International and LTLS ensure a rapid and reliable spares provisioning for SSJ100 operators in the Americas. Because of its close proximity to the launch customer, Mexican airline Interjet, the LTLS warehouse located at the Fort Lauderdale Airport has been selected as the optimum location. Fort Lauderdale serves as a hub for 27 passenger airlines with 65 domestic and 36 international destinations in Canada, the Bahamas, the Caribbean, Europe, Mexico, Central America, and South America. Miami International Airport is close by, increasing the potential destinations. With this setup, LTLS is taking over responsibility for after-sales support including the storage, handling and distribution of serviceable parts to the customers, as well as the management of the repair cycle for unserviceable parts. In



737 fuselage manufactured by Spirit

Photo: Spirit AeroSystems

addition, customs brokerage, inventory control for the pool items and 24/7 logistics support are being offered. The launch customer LCC Interjet has ordered 20 SSJ100 and has options for 10 more. The first aircraft was delivered in June with the second one to be delivered very soon. The airline has major hubs in Mexico City, Monterrey, Guadalajara and San Jose del Cabo.

#### [Spirit AeroSystems announces workforce reductions in Kansas and Oklahoma](#)

Spirit AeroSystems released that approximately 360 salaried support and management employees at its Kansas and Oklahoma facilities are receiving layoff notices. The company is offering affected employees severance benefits and career transition services. This action is a strategic move to make the company more competitive in a cost-sensitive environment and results from an ongoing workforce assessment designed to reduce overhead costs, increase efficiency and drive improved performance.

#### [GA Innovation China performs first aircraft disassembly in Beijing](#)

GA Innovation China (GAIC), the newly formed joint venture between GA Telesis and Air China, celebrated together with Beijing Capital International Airport Company (BCIA) and Aircraft Maintenance and Engineering Corporation (AMECO), the start of their first commercial aircraft teardown project involving a Boeing 747-400 aircraft acquired from Air China. All three parties held a ceremony alongside the 747 aircraft in AMECO's main hangar to kick off the teardown and sign the airframe sale agreement between GAIC and BCIA. The aircraft will be disassembled by

AMECO and the engines will be exported to the United States. GAIC will select parts derived from the disassembly and warehouse them in Beijing for sale in both China and the rest of the world. The remaining airframe has been sold by GAIC to BCIA for utilization in fire department and security drills.

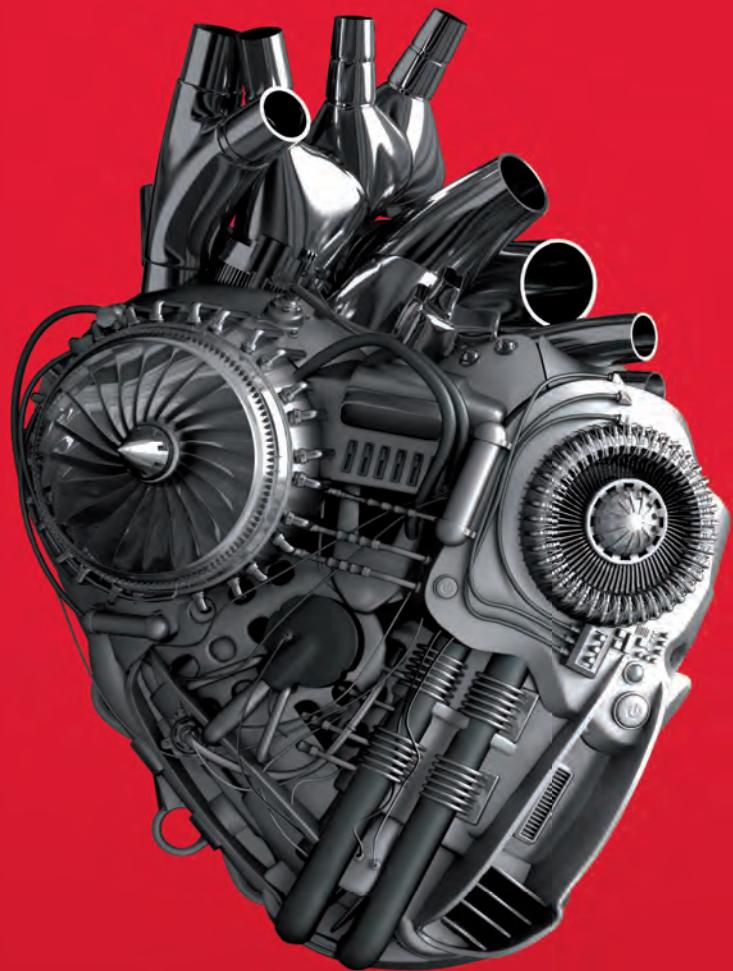
#### [Airbus Managed Inventory goes operational at Aeroman](#)

Aeroman, a leading MRO organization in the Americas has started operations with the Airbus Managed Inventory (AMI) service. AMI is an automated system which continuously ensures the automatic replenishment of high-usage and non-repairable Airbus parts. With a modern facility located at El Salvador International Airport, Aeroman provides maintenance services to A320 family operators from North and South America, who will all benefit from AMI. Aeroman has been providing world class heavy maintenance repairs and avionics and interiors modification programs for 30 years. It employs a workforce of about 2,100 full time employees with its technical personnel being El Salvador's CAA, FAA or EASA certified.

#### [AAR sources and modifies 2 Boeing 737s for U.S. Marshals Service](#)

AAR reported that the U.S. Marshals Service has signed a purchase commitment for two Boeing 737-400 aircraft for delivery in September. In addition to sourcing the aircraft, AAR will provide airframe and landing gear overhaul, aircraft painting and interior reconfiguration. AAR recently delivered two similar aircraft to the Colombian Air Force as part of a cost-effective program that included the conversion of the

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aircraft for cargo transport and the supply of custom seat pallets. The program demonstrates AAR's wide range of capabilities, which the company combines to create custom-tailored solutions for its commercial, federal civilian government and defense customers.



Azerbaijan Airlines rebrand to be managed by AJW

Photo: AZAL

#### AJW Aviation to manage entire fleet rebrand for AZAL

AJW Aviation has been contracted to carry out the rebranding of Azerbaijan Airlines' entire fleet. The fleet of 18 aircraft includes A319, A320, B757 and B767, all of which are to undergo rebranding by the end of 2013 to meet the airline's operational deadline. AJW has already delivered the first A320 aircraft in the new livery and a second is currently undergoing rebranding work. AJW has selected Eirtech Aviation to carry out the painting of the aircraft.

#### TAG Farnborough Engineering named GE Authorized Service Center for CF34-3 engines

GE Aviation has named TAG Farnborough Engineering as an authorized service center for GE's CF34-3 engines that power the Bombardier Challenger series. Under this agreement, TAG Farnborough Engineering can perform engine line maintenance as well as provide OnPoint solution agreement and warranty support and facilitate access to both GE parts and technical support. TAG Farnborough Engineering offers a comprehensive range of engineering and maintenance services for Bombardier, Dassault and Hawker Beechcraft aircraft at TAG Farnborough Airport, located 40 miles from central London.

#### ITP signs agreement to participate in two new Rolls-Royce programmes

Industria de Turbo Propulsores, S.A. (ITP), and Rolls-Royce have signed an agreement by which ITP will be responsible for the supply of Low Pressure Turbines (LPT) for two new engines – the Trent XWB-97 for the Airbus A350-1000 and the Trent 1000-TEN for all versions of the Boeing 787. In both agreements ITP will participate as a risk and revenue sharing partner for the life of the programmes, hence extending ITP's participation to the complete family of Rolls-Royce engines for twin aisle commercial aircraft.



ITP signs agreement to participate in two new Rolls-Royce programmes

Photo: ITP

Once the new aircraft enter service, ITP estimates to have a 50 per cent share in the worldwide market of LPTs for twin aisle aircraft. ITP will be responsible for the design, manufacture and assembly of the low pressure turbine module for both engines. The low pressure turbine module is one of the main engine modules in modern large turbofans. ITP will perform the complete design of the turbines including all phases of the design from conceptual design to detail design and development, utilizing the latest technology in order to produce the cleanest and most efficient turbines. ITP will manufacture all the key components of the turbines in the facilities of the ITP Group, utilizing the latest manufacturing technologies and will perform the module assembly in order to supply a complete assembled module to Rolls-Royce ready to be installed in the engines.

These new programmes will generate additional growth in ITP and will require investments in excess of €250million in research and development as well as in industrial facilities to produce the turbines.

#### Boeing completes 737 MAX 8 firm configuration

Boeing has completed the firm configuration of the 737 MAX 8. This milestone marks completion of the major trade studies that define the capabilities of the 737 MAX family. As detailed designs are completed and released,

production can begin. Final assembly of the 737 MAX 8 is scheduled to begin in 2015 with first delivery scheduled for the third quarter of 2017. The configuration includes new LEAP-1B engines from CFM International that are optimized for the 737 MAX, a redesigned tail cone and the Boeing designed advanced technology winglet to reduce fuel use. Other changes incorporated include upgrades to the flight deck displays, an electronic bleed air system and fly-by-wire spoiler flight controls.

#### Liebherr-Aerospace starts qualification testing of A320neo engine bleed air system

At Liebherr-Aerospace's test center in Toulouse, France, the qualification tests of the A320neo engine bleed air system have started with development testing at equipment level. In the first phase of the test campaign, performance



Boeing completes 737 MAX 8 firm configuration

Photo: Boeing

testing of the pre-cooler and bleed valves is currently being carried out. The system components are undergoing a wide array of tests that will demonstrate their performance and reliability under the demanding operating conditions in flight. The bleed valves feature latest generation electro-pneumatic bleed air technology, which allows for a substantial reduction in the weight of the system and considerably increases its performance and reliability.

#### Fokker Services opens component repair shop in Singapore

Fokker Services has received approval from EASA and FAA for its new component repair shop in Singapore. The component repair shop focuses on regional aircraft and serves its customers with avionics, hydraulics and limited structure component maintenance. Fokker Technologies has been doing business in the Asia Pacific for many years. In order to adapt to the growing market, Fokker Services opened a new facility in Singapore in February 2012. With this addition in Singapore, Fokker can serve its customers better, as the product portfolio of the components, maintenance, repair and overhaul department expands with the new facility.

#### Atlantic Air Industries joins the ATR maintenance network

ATR, the European manufacturer of turboprop aircraft, and Atlantic Air Industries (AAI), a French company specializing in aircraft maintenance, have signed a collaboration agreement making AAI a new member of ATR's network of partner maintenance centers. Adding AAI to ATR's MRO

network attests to the compliance of its maintenance station at Toulouse Francazal Airport, specializing in the heavy maintenance of ATR airframes, in line with the aircraft manufacturer's quality standards. Presently, about 60 airlines operate some 320 ATR aircraft in Europe. The arrival of AAI in ATR's maintenance network follows the recent introduction of Germany's Rheinland Air Service (RAS) for the European market.

The partnerships with AAI and RAS in Europe, plus the existing partnership with Fokker Services for the Asian market, reflect ATR's ambition to grow and to offer a worldwide network of independent and highly qualified aircraft maintenance service providers for its operators. According to the terms of these agreements, ATR's partners commit to offering maintenance solutions to operators through compliance with the fundamental customer service rules defined by ATR. ATR's MRO network is an important part of the regional policy implemented by ATR's Customer Support Department, which aims to offer high quality, local solutions to ATR operators in terms of maintenance, logistics and training.

#### Werner Aero Services tears down A319 aircraft

Werner Aero Services has begun the teardown of one of its A319 aircraft that was last operated by TAM. The teardown process is taking place in Arizona and is expected to be completed in August. "The components from this aircraft



Airbus A320neo bleed valve developed and manufactured by Liebherr

Photo: Liebherr

will be used to support Werner's Airbus customers," said Mike Cazaz, CEO of Werner Aero. "The availability of these components will help us provide quicker turnaround time to our customers and will also be utilized in our exchange program."

#### Thomson Airways selects ASC to provide wheels and brakes support on new Boeing 787s

Airline Services Components Limited (ASC) has been selected by Thomson Airways to provide maintenance support on the Messier-Bugatti-Dowty (MBD) wheel and electrically actuated brake equipment, installed on the airline's fleet of Boeing 787 Dreamliners. This agreement will initially cover all eight 787 Dreamliners that Thomson Airways is set to receive. Thomson Airways is the first UK airline to take delivery of the Dreamliner, which has been operating on short- and mid-haul routes since June 21 this year. Long haul inaugural flights to Cancun and Florida started on July 8. The 787 will be operating regular routes from Manchester, East Midlands, Gatwick and Glasgow Airports.

Thomson Airways' will receive its first four aircraft this summer and the next four up until May 2015. ASC will support Thomson Airways under a minimum 12-year Cost Per Aircraft Landing (CAPL) pricing agreement which provides a fixed charge to cover initial provisioning, access to pool stock and the provision of Bridgestone tyres, along with logistics and repair management of the equipment.

ASC will also locate consignment inventory in the UK and at operating bases in Brussels, Amsterdam and Stockholm. Through a tripartite agreement with Thomson and MBD, ASC will also manage the supply and

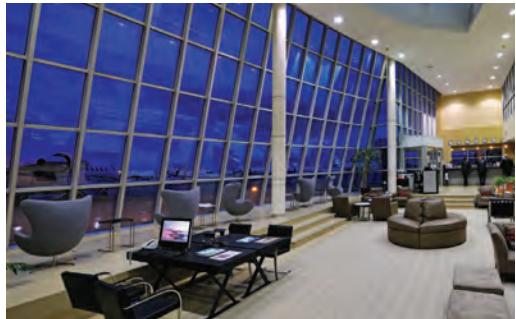


Atlantic Air Industries joins the ATR maintenance network.

Photo: ATR



## THE SKYSERVICE MONTREAL FBO



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# Achieving seamless operations with information visibility

**Skyservice selects Quantum Control MRO & Logistics Software and StockMarket.aero** to manage its award winning FBO maintenance services.

### The Challenge

Skyservice offers corporate and commercial maintenance including inspections, repairs and aircraft modifications on any type of aircraft 24/7. With over 450,000 combined square feet of hangar space, Skyservice's challenge was to maintain its superior levels of customer service and safety while realizing a business strategy that included 5-year growth plans despite the current economic downturn. A core goal was to achieve increased maintenance process efficiency and effectiveness improvement targets as the company managed current and new business at its FBO facilities across Canada.

To accomplish this, Skyservice focused on identifying key operations technology to seamlessly increase the volume of maintenance and repair services, while providing cohesive visibility into account financials, contracts, work packages, labor, parts, services, and aircraft tracking data.

### The Solution

Skyservice FBO selected Component Control's Quantum MRO & Logistics software and StockMarket.aero to bring all of their FBO operations into one system. As the aviation industry standard, Quantum enables systematic, repeatable and efficient processes for expertly managing aircraft services across a single or multiple facilities.

In real-time, hangar, aircraft, shop floor details, and instructions are communicated, while labor, parts and services are being tracked to affect inventory and billing.

Related reporting assists management in making fact-based decisions that support customer service and strategic goals.

In addition to new process automation, Quantum's robust capabilities allow Skyservice to replicate core processes that had already proven relevant to their bottom line.

Critical to the selection of Quantum, is the systems out-of-the box integration capabilities for EDI, CAMP maintenance records, AVREF catalog files, and CMP.net data. This vital integration automates transaction processing and communications with partners, information providers, and the extended supply chain to safely improve turn times and keep customers loyal to Skyservice as a trusted business partner.

Due to its exceptional FBO services, in 2012 Skyservice was voted the top FBO in Western Canada and Ontario by WINGS magazine, and in the top 30 of North America FBO's by Aviation International News.

Comprehensive process management and partner connectivity highlight the importance of Quantum as a solid operations foundation for FBO operators.



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A United Airlines Boeing 737-800 aircraft retrofitted with new Split Scimitar Winglets

Photo: United Airlines

replacement of carbon heat stacks and brake LRUs, thus providing Thomson with a total management solution for its wheel and brake equipment at a budgeted pricing structure.

#### **MAEL sign line maintenance agreement with Privilege Style**

Monarch Aircraft Engineering (MAEL) has signed a line maintenance technical handling agreement with Privilege Style. With immediate effect, MAEL's engineering team will provide support for the Spanish charter airline's Boeing 757 aircraft based at Manchester airport.

#### **Ameco provides line maintenance services to seven new customers**

In the first half year of 2013, Ameco Beijing inked contracts with seven international customers to provide line maintenance services in Beijing Capital International Airport.

With the new customers, the number of Ameco's international third party line maintenance customer is up to more than 50. By the middle of July, the seven new customers have started their

flights and the aircraft type including Boeing 747, 777, 767 and Airbus A340, A330, A321 and A320. In addition to Beijing, Ameco also set line maintenance outstations in the cities of Tianjin, Guangzhou, Shanghai, Qingdao, Chongqing and Nanjing. In this September, Ameco will start line maintenance service in Chengdu that will be the seventh outstation for line maintenance.

#### **WestJet Encore signs Total Component Support deal with Lufthansa Technik**

WestJet Encore, WestJet's new regional carrier, has signed a Total Component Support (TCS) deal with Lufthansa Technik, to provide component repair and pool access support for its new and growing fleet of Q400s.

Under a multi-year agreement, Lufthansa Technik will maintain components removed from WestJet Encore aircraft and provide replacements from its extensive pool of Q400 stock.

All logistics and transportation will be handled by Lufthansa Technik. Also as part of the agreement, Lufthansa Technik will create a new

pool of Q400 stock in North America.

WestJet Encore has committed to 20 firm orders, with a further 25 options.

#### **United Airlines is first to install Split Scimitar Winglets**

A United Airlines Boeing 737-800 aircraft retrofitted with the new Split Scimitar Winglet took its maiden test flight on July 16, in Everett, Washington. This advanced winglet improves on the existing blended winglets United currently has on its next generation 737 fleet. In January, United served as the launch customer for this innovative winglet when it made a firm commitment with Aviation Partners Boeing (APB) to retrofit its 737-800 fleet.

In June, United announced its commitment to also retrofit its 737-900ER fleet. Using a newly patented design, the program consists of retrofitting United's Boeing Next Generation 737 Blended Winglets by replacing the aluminium winglet tip cap with a new aerodynamically shaped Scimitar winglet tip cap and by adding a new Scimitar-tipped ventral strake.

## Rating matters

By Keith Mwanalushi

MRO ratings and methodologies may become imperative in the near future, but at present, the lines are still blurred when it comes to processes and international industry standards.



Air India Maintenance at Mumbai International Airport.

Photo: AirTeamImages

Speaking to Ben Jacques, commercial manager at the International Bureau of Aviation (IBA), he is of the opinion that in essence, MRO ratings are coming about because of demand from owners, financiers and of course airlines. As

the biggest customer of MROs, airlines are likely to be the biggest market for this in the long term, although owner and financiers (frequently leased) aircraft have to prove to their internal due diligence/risk committees that they are taking the asset management of these aircraft/engines seriously so their share of this will not be insignificant.

"The airlines themselves have to consider not just the capabilities of the MRO but their ability to work in the increasingly difficult environment where the owner or lessor will be onsite as well as the primary client," says Jacques.

He adds that MRO ratings provide a way of offering some benchmarking and insight for owners/financiers – alongside offering MROs

an indication of how they are performing when benchmarked against their peers. "The key criteria will still be capabilities, facilities, turn time, pricing of man hours and mark up policy but the more subjective issues of quality, reputation will be considered."

**"The airlines themselves have to consider not just the capabilities of the MRO but their ability to work in the increasingly difficult environment"**  
- Ben Jaques IBA

head of commercial at Iberia Maintenance is adamant that any help from the industry and customers aimed at understanding their customers' needs and what they really care about. "MRO ratings are starting to be an additional tool for customers to empower their procurement decisions, Gordo stresses. "Up to now only a few customers are using these models but the tendency will be to come up with an industry standard that will probably be more and more used by the sector."

Abdol Moabery, president and CEO of GA Telesis, LLC recalls that many years ago, the U.S.-based airlines got together and formed CASE (Coordinated Agency for

Supplier Evaluations). "The aim of CASE was somewhat similar, but driven more towards allowing MROs that passed an audit by one of the member airlines to receive CASE approval and therefore have perhaps a level of pedigree in terms of quality assurance and performance standards," he says.

While this has been an accepted and worthwhile process, a CASE audit in some respects still remains subjective, Moabery believes. "There is still a human element and when there is such a factor, the process might become skewed." Additionally, he says the issue with CASE was that it had little to no basis internationally. With the industry growing so rapidly especially in emerging markets, Moabery questions how one could possibly rate a MRO in China with one in Brazil and one in Abu Dhabi with one in Oklahoma.

He further questions how to separate and rate independent MROs from OEMs? "What about MROs within MROs? How do you rate MRO with back shop capabilities against airlines without such capabilities," Moabery asks. "Frankly an MRO rating system would be a farce and give potential customers and asset owners a false sense of security. What does work is the reputation MROs gain by providing good service, top-level quality and reliability to the airlines they and we serve."

From an investment perspective Maurick Groeneweld, director of aircraft management at Doric GmbH says Doric has been, and continues to be, focused on who is performing maintenance on its aircraft not only via its airline operators but also directly with the MROs. The direct contacts with the MROs are not only relevant during the normal course of



"MRO rating system would be a farce"  
- Abdol Moabery CEO at GA Telesis

a lease, but also and more particularly during transits of aircraft. Doric arranges structures and manages aircraft investments.

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Maurick Groeneveld Director Aircraft Management at Doric GmbH

Software, which provides industry specific solutions catering to the aerospace and other industries states that the longstanding relationships between aircraft operators and leasing companies has provided many benefits to the parties over the years.

"However, increasingly the parties to leasing contracts have found themselves at odds," observes Gabriel Mofaz, president at Pentagon 2000. "Used aircraft, unlike commodities, can vary widely in their quality and reliability for a given make and model. While attributes such as age, hours, cycles and landings for an aircraft can be easily obtained during the life of an aircraft, significant portions of the asset are replaced, repaired or overhauled."

Mofaz says while regulatory agencies set minimum standards for aircraft MRO operations, wide disparities may exist in repair station performance. "In the aftermarket, the value of rotatable components clearly illustrates the potential disparity that can exist between similar assets: two components with identical part numbers and condition codes may trade for vastly different values based on the quality and clarity of their tags and traceability information, explains Mofaz.

"Likewise, complete aircraft that have been consistently maintained throughout their life by highly qualified MRO shops and have robust recordkeeping are likely to retain higher market values than those with less stellar pedigrees."

In the quest for maximising asset value and maintaining the highest degree of customer satisfaction, the market is best served when electronic MRO software database systems are employed to maintain the most comprehensive data for flight operations, MRO, materials and aircraft recordkeeping. Not surprisingly, Mofaz recommends the

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"Companies that excel in these areas can protect the value of their assets and those companies that can also integrate these areas are best positioned to lead the market and retain a competitive advantage over rivals," he adds.

Lean methodologies in the MRO industry aim at eliminating all forms of waste within the maintenance process to improve efficiencies. Lean is in essence a methodology in which company processes are continuously refined and streamlined to better comply with customer demands.

"There have not been any new revelations over the last several years in terms of lean process or efficiencies," says Abdol Moabery from GA Telesis. "Certainly technology has allowed MROs to better manage their supply chain process in terms of market transparency and this has leaned its way towards better cost saving efficiencies. Perhaps the better way of addressing this question is to look at outside agencies that can have a positive impact on efficiencies and costs."

By virtue of geographical growth of the supply chain, Moabery says MROs are able to capture time and cost savings by having

better and quicker access to their parts needs. "Additionally, the costs of shipping parts are drastically reduced," he says. "Many of the world's largest suppliers of replacement parts have installed strategically positioned distribution centers close to all of the world's aviation hubs. This will allow MROs and airlines alike to capture greater savings, improve internal efficiencies, but also to refine their own lean methodologies or TQM processes."

Aircraft maintenance is becoming an increasingly global affair – operators sending their aircraft further afield to find the cheapest/best maintenance rates – that owners/financiers typically know less and less about who is performing the maintenance on their aircraft.

They might well be certified and hold the right documents but on the back of cases such as ACG v Olympic and other disputes, this lack of knowledge can be a concern according to an observation from Jacques at IBA.

The ACG v Olympic case is an interesting one. According to a document issued by Clifford Chance in 2008, ACG Acquisition and Olympic Airlines entered into a five-year operating lease of a 17-year-old Boeing 737-300. Shortly after Olympic accepted the aircraft and put it into service, serious defects were discovered including corrosion, and the Greek Civil Aviation Authority withdrew its airworthiness certificate.

Olympic grounded the aircraft and ceased



ANA Dreamliner maintenance

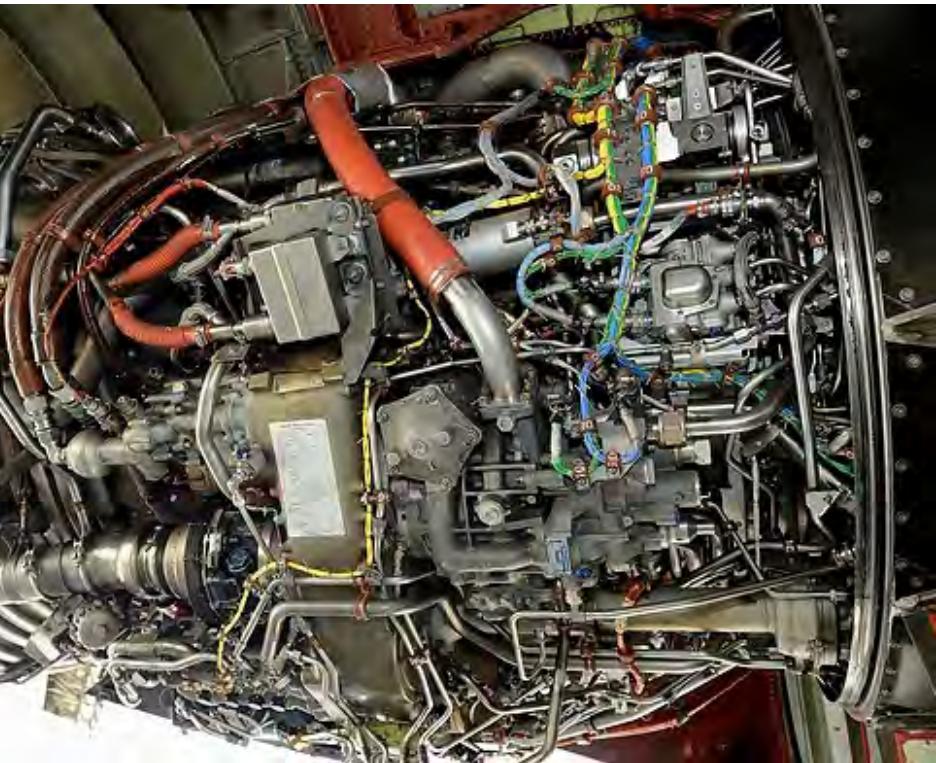
Photo: AirTeamImages

paying rent under the lease. In 2010, ACG terminated the lease and demanded return of the aircraft. It brought a claim in the English court against Olympic for rent and maintenance reserves up to the date the aircraft was returned and for damages for loss of rent from such date up to the scheduled lease expiry.

This begs the question whether there a need to make more emphasis on communication between the MRO and the aircraft owner in addition to the aircraft operator.

Moabery comments that the quality and licensing of an MRO is, and has always been of great importance to an asset owner or financier.

"Their principal concerns are ensuring that a maintenance action performed by an operator does not cause value degradation or maintenance bridging problems for the follow-on customer or operator," he says. "Ultimately, it comes down to proper asset management. Lessors, big and small, do



Close up of a Pratt & Whitney PW4056 engine while undergoing maintenance.

Photo: AirTeamImages

have minimum standards and in some cases approval rights as it relates to selection of a MRO by its lessee.

Additionally most of them send asset managers to monitor assets during the maintenance process. However, there is also a fine line between good asset management and violating a lessees quiet enjoyment rights as protected under a lease."

Regardless, he says costly mistakes can occur and these can culminate into bigger problems for asset owners as well as operators. "Perhaps the greatest benefit is that maintenance actions are not supposed to be subjective," Moabery asserts.

"There is a manual that depicts every action, step-by-step, required to be performed during maintenance. If these are followed, then an asset should remain relatively safe. Asset owners are fortunate that they get

to select their counterparty and enter into a contractual relationship that covers the maintenance aspects of asset management. Ultimately, no party benefits from cutting corners, so in principal it does not often happen.

**"Outside agencies that can have a positive impact on efficiencies and costs."** - Ben Jaques IBA

However, when it does we are fortunate to have enough case law that sets precedent when there is a legal dispute."

Groeneveld believes that although it is never bad to get some extra information on these key non-subjective criteria, "it is questionable whether all of this data will be so openly supplied and when it is, what assumptions will be behind it and be made visible". As with most airlines and lessors, there should be a detailed evaluation of the MROs they wish to contract. "This should be done on clearly measurable criteria and more subjective criteria. Having said this, for lessors particularly in repossession cases, certain (unforeseen) constraints can have overriding influence," Groeneveld concludes.



MRO ratings are starting to be an additional tool for customers says Gordo

Photo: Iberia Maintenance

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WHEN RESULTS MATTER

## MRO rating and Comparing Methodologies

- Ben Jaques



When aviation first started producing aircraft in large numbers they were military aircraft maintained by the engineers and mechanics of the military. Post-war civil aviation progressed on the back of knowledge and expertise learned over years of conflict. The maintenance staff were commonly gentleman who had kept their country's fleet flying and now kept their own airline's fleet well maintained instead. As the industry matured, people with an entrepreneurial spirit began to realise the opportunity to provide so called 'third party' maintenance services. It could have been driven by the need to provide competition to airlines' own internal provision or by a need to service a variety of aircraft, perhaps at an outstation used by different carriers. Clearly, we had entered the era of outsourcing.

It was probably quite a bit more complex than the last one hundred words make it sound, but as we return from our history trip, today's landscape for maintenance, repair and overhaul facilities worldwide is ever changing. In the nineties, aviation authorities pushed airlines into entering maintenance agreements with their internal maintenance regimes in order to create accountability and visibility between the 'operating' business model and the 'maintenance' business model. Now, as the OEM's take much more interest in the maintenance business model, there is an even greater need for the operator to understand the who, how, what, why and the when of maintenance strategies. Looking forward, the worldwide fleet is at the largest it has ever been and the order book has rarely looked this healthy. Ignoring the argument for the suitable length of aircraft economic life, aircraft are still built to last and are becoming more robust because they are designed to perform better for longer with each new iteration that comes along.

This means that each significant maintenance event becomes more important, as the benefits achieved by lengthening the periodicity between maintenance inputs are ever increasing. OEMs recognise that airlines want fewer maintenance occurrences and less required ground time. This will mean maintenance events become less frequent and more important so the pressure is on MROs to deliver quick, efficient turnarounds with reliable and long lasting results. Although it is easy for an MRO to promise this, it is not easy to consistently deliver high quality customer service, high quality maintenance results and offer the lowest cost for these services at the same time.

Airlines, lessors and investors look at MROs to help them achieve the best possible returns on their investments. However, it can be particularly difficult to truly distinguish one MRO with all the required certifications from another, be that an independent, an OEM or something in between. Competition between MROs is fierce and it is likely not to change because airlines do not have it easy and they need to drive a hard bargain where they can. Airlines are under pressure from their lessors and financiers to achieve the biggest 'bang for every buck' spent.

MROs also require the ability to be flexible and evolve with their clients. Where they used to have just one client at a time and often a relationship with only one or two people at an airline, there are now a myriad of companies involved in an aircraft's lifecycle. Relationships between airlines, lessors, financiers, their associated technical representatives and advisors or experts can quickly switch between a professional discussion to a never ending diatribe about the minutiae of aircraft maintenance. The latter often achieves very little beyond a huge financial and chronological cost. Lessors and financiers are becoming ever more important to airlines and they are becoming increasingly interested in the MRO community. Airlines spend vast sums of money with MROs and frequently, the lessor and financier may be more interested in direct business dealings with the MRO.

Many lessors now take a far more serious view on an aircraft's transition phases and end of life scenario. It is becoming more regular for a lessor to have a relationship, or a series of relationships, with MROs that can provide a range of services suitable to their leased fleet, providing services such as a safe haven in a repossession scenario, redelivery check – some lease agreements specify the MRO to be used during the return process. Other MRO facilities have found investors comfortable with investing into MROs, with the prospect of long term achievable returns. Through all of these decisions, whether they are airline, lessor or financier made, the decision maker is analysing key criteria regarding the worldwide MRO community. Perhaps more importantly, they are making decisions about individual MROs. We touched on some of the problems for the airlines earlier in the piece, but to highlight a particular problem, one which IBA sees from our client base, is MRO selection. Airlines will often tender for MROs to compete for their business, however how do they know whom to invite and once

they have received their bids, how do they quantify those important items, which can seem unquantifiable? Airlines adopt different strategies when tendering to MROs; very few actually achieve the original objective, which is to attain the best possible results every time. That is in fact nearly as impossible as it sounds, although it should be possible to rule out the guesswork and move toward a more consistently successful approach in the selection process and to develop strong relationships with the MROs, so it works equally well for all parties.

An MRO rating, developed in co-operation with an end client whose requirements have been taken into consideration when finalising the methodology, can be far more useful. This would allow for the direct comparison between multiple MROs. Many airlines do not have or cannot resource professional knowledge all the time, and they therefore hire an expert third party with a wealth of industry knowledge during this process. In the case of lessors and financiers, more often than not, they lack that level of knowledge in the MRO field. The key criteria when creating the rating are; approvals / capabilities, facilities, spares holdings, ratio of licenced / skilled labour to unskilled labour, engineering & technical services, turn time, pricing, mark-up policy and penalty clause policy. However, the more difficult and subjective issues of quality, reputation and customer service will be considered and form part of the rating metric. The rating and its transparency does more than create a league table. It provides an expert view of the strengths and weaknesses of an individual MRO and makes it directly comparable to a competing MRO. This can be presented to the end client in an objective manner. For example, what value can be put on poor turn time or what value can be attributed to the down time an aircraft suffers after returning to operation following a heavy check at a MRO with questionable quality.

It is similar to the Maintenance Cost Benchmarking services IBA offer which is most popular with airlines as it provides a way of comparing airline costs with those across the industry and creates opportunities for tangible cost savings by highlighting problem areas using data, statistics and industry expertise. Services like Maintenance Cost Benchmarking and MRO Ratings offer a unique solution to problems which many entities did not know they had. However, there is no silver bullet for MRO selection, nor is there a silver bullet for reducing maintenance cost. Nevertheless, there are better ways of making informed decisions, which will lead to successful outcomes and efficient use of resources.

## Willis Lease expands its offering worldwide



Carriers can order spare engines from Willis lease on the web

Photo: Willis Lease

"We're a commercial finance company whose primary product is aircraft engines," says Charlie Willis, chief executive of Willis Lease and a man who radiates confidence in his company's future. "We have very few competitors because the barriers to entry are so high. Banks don't have the operational reach – we're more like an airline than a bank."

Willis Lease has a proud history of leasing engines and related equipment to airlines, aircraft engine manufacturers and MRO firms, growing for more than 30 years to its current position with assets approaching \$2 billion worldwide.

Founded by Charlie Willis, the company offers both short and long-term leases on the most popular types of engines. "We have successfully purchased, leased and sold more engines in more countries over a longer period of time than any independent competitor," says Willis.

With a top credit rating from the major agencies, the company has extended its operations around the globe. "We've gained better and more consistent access

to capital, at a lower cost of borrowing, and formed some great partnerships," says Willis, mentioning the 2011 joint venture with Japanese company Mitsui, which has already paid dividends according to the chief executive.

"Our deep knowledge of the jet engine leasing market and Mitsui's equity capital contribution, ability to provide attractive financing and its global network will be a powerful combination," he commented at the time of the agreement. Willis Lease has taken on larger engine types and now operates in more regions of the world as a result of the JV.

Alongside geographical reach, the company plans to branch into new jet engine-related technologies such as landing gear and pipeline compressors, providing the same levels of service to new customers. "We have only grown stronger in recent years and expect to continue steady growth over the coming years," adds Willis, who anticipates further increases in demand ahead.

He views the recent trend of OEMs selling equipment into the aviation market yet

continuing to 'own' the assets, through restrictive repair agreements and restrictive contract wording, as a concern. "I think the anti-trust authorities will insert themselves into this process," says Willis. "They need to consider the implications of what is going on."

Meanwhile, prices are falling on new engines as replacements come onto the horizon, he says, with newer engines being sold at below list price.

"Residuals are holding for current technology engines as the economics greatly favours engines versus whole aircraft. Pooling is also on the increase, both with engines and components"

**"We have only grown stronger in recent years and expect to continue steady growth over the coming years"**



Charles Willis



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### Aircastle posts second quarter 2013 net income of \$32.9m

Aircastle announced that lease rental and finance lease revenues for the second quarter of 2013 were \$162million, up \$7.5million or 5 per cent year over year, due primarily to the impact of aircraft acquisitions of \$26.1million, partially offset by lower revenues due to aircraft dispositions of \$9.5million and from the effect of lease extensions, transitions and terminations of \$9.1million. Total revenues for the second quarter were \$170.4million, a decrease of \$1.8million, or 1 per cent versus the previous year. This was primarily due to the amortization of lease premiums, discounts and lease incentives being \$10.8million higher in 2013. In the second quarter of 2012, lease incentive amortization was driven lower by lease incentive reversals resulting from early lease terminations. This revenue decrease was partially offset by \$7.5million of higher lease rental and finance lease revenue and \$1.8million of higher other revenues, primarily early lease termination fees relating to an aircraft that transitioned during the quarter.

Adjusted EBITDA for the second quarter was \$183.4million, up \$26.3million or 17 per cent from the second quarter of 2012. Net income for the second quarter was \$32.9million, up \$16.5million, or 101 per cent. The increase was primarily due to higher gains from the sale of aircraft of \$18.5million and lower aircraft impairment charges of \$10.1million.

### Willis Lease Finance earns \$9.7m in second quarter

Willis Lease Finance Corporation (WLFC) reported earnings of \$9.1million in the second quarter ended June 30, 2013, compared to \$1.6million in the preceding quarter and \$2.4million in the second quarter a year ago. For the first six months of 2013, net income attributable to common shareholders was \$11.3million compared to \$5million in the first six months of 2012. Lease portfolio increased 4.7 per cent to \$1.02billion from \$0.97billion a year ago, largely due to the purchase leaseback transaction with Scandinavian Airlines that was completed in the first quarter of 2013. Total revenues grew 8.0 per cent to \$38million from \$35.2million a year ago, reflecting portfolio growth and increased maintenance reserve revenues. Lease rent revenues increased 3.9 per cent to \$24.8million compared to \$23.8million a year ago. Maintenance reserve revenues increased 24.9 per cent to \$11.8million compared to \$9.4million a year ago.

### TransDigm Group reports fiscal 2013 third quarter results

TransDigm Group Incorporated (TDG), a leading global designer, producer and supplier of highly

engineered aircraft components, reported results for the third quarter ending June 29, 2013. Net sales for the quarter rose 5.8 per cent to \$488.6million from \$461.7million in the comparable quarter a year ago. Organic net sales growth of 4.5 per cent was driven by an increase in sales over the prior year in commercial OEM and defense sales. The favorable contribution from the acquisitions of Arkwin, Aerosonic and Aero-Instruments accounted for the balance of the sales increase.

Net income for the quarter decreased 15.2 per cent to \$76.7million compared with \$90.4million in the comparable quarter a year ago. EBITDA for the quarter decreased 5.3 per cent to \$192.8million from \$203.5million for the comparable quarter a year ago. EBITDA As Defined for the period increased 7 per cent to \$231.9million compared with \$216.7million in the quarter a year ago. EBITDA As Defined as a percentage of net sales for the quarter was 47.5 per cent.

### Triumph Group reports first quarter fiscal 2014 net income of \$79m, up 4%

Triumph Group reported that net sales for the first quarter of fiscal year ending March 31, 2014 totalled \$943.7million, a 6 per cent increase from last year's first quarter net sales of \$887.7million. Organic sales for the quarter decreased 2 per cent primarily due to a decline in non-recurring revenue. Net income for the first quarter of fiscal year 2014 was \$79million versus \$76.3million for the first quarter of the prior fiscal year, an increase of 4 per cent. The quarter's results included approximately \$3.6million pre-tax (\$2.3million after tax) of costs related to the Jefferson Street facility move.

The prior fiscal year's quarter included approximately \$500,000 (\$300,000 after tax) of integration costs associated with the acquisition of Vought Aircraft Industries (now Triumph Aerostructures-Vought Aircraft Division) and a charge of \$1.2million pre-tax (\$700,000 after tax) for early retirement incentives. Excluding the Jefferson Street move related costs, net income for the quarter was \$81.4million. Also included in the quarter's results was approximately \$1.3million pre-tax (\$800,000 after tax) of acquisition-related costs primarily attributable to the Primus Composite acquisition. During the quarter, the company generated \$37.6million of cash flow from operations before Triumph Aerostructures' pension contribution of \$25.8million. After this contribution cash flow from operations was \$11.8million.

### Bombardier Aerospace reports second quarter 2013 results

Bombardier Aerospace's revenues amounted to \$2.3billion for the three-month periods ending June 30, 2013 and 2012. EBIT before special items

totalled \$107million or 4.7 per cent of revenues for the second quarter ending June 30, 2013, compared to \$99million or 4.4 per cent last fiscal year. Free cash flow usage totalled \$459million (including net addition to property, plant and equipment (PP&E) and intangible assets of \$534million) for the quarter, compared to a usage of \$504million (including net addition to PP&E and intangible assets of \$481million) for the same period last fiscal year. Bombardier Aerospace delivered a total of 57 aircraft during the quarter, compared to 62 for the same period last fiscal year and received 82 net orders during the second quarter, compared to 146 for the same period last fiscal year.

### FLY Leasing reports second quarter 2013 financial results

FLY's net income for the second quarter of 2013 was \$5.9million compared to \$25.7million in the same period of 2012. The decline in net income is the result of a decline in operating lease revenue, gains from aircraft sales during the second quarter of 2012 and expenses associated with delivering aircraft to new lessees, partially offset by a reduction of interest expense as a result of deleveraging.

The decline in operating lease revenue is primarily due to off-lease aircraft, sale of aircraft which contributed to revenue in the second quarter of 2012 but were subsequently sold and re-leased aircraft at lower rental rates.

Net income for the six half of 2013 was \$38.8million compared to \$46.1million for the first six months of 2012. At June 30, 2013, FLY's total assets were \$3.0billion, including flight equipment with a net book value of \$2.6billion. Restricted and unrestricted cash at June 30, 2013 totalled \$296.1million, of which \$139.3million was unrestricted. This compares to total cash of \$300.6million at December 31, 2012, of which \$163.1million was unrestricted. In July, FLY completed an underwritten public offering of 13,142,856 common shares in the form of ADSs at a price of \$14 per ADS, generating net proceeds of approximately \$173.1million.

### GE completes acquisition of Avio Aviation business

GE has completed the acquisition of the aviation business of Avio S.p.A., a leading, Italy-based provider of civil and military aviation components and systems. The purchase price was \$4.3billion. GE did not purchase Avio's space unit. Avio's aviation business has been renamed Avio Aero, a GE Aviation business. Avio Aero will retain headquarters in Turin, Italy. The acquisition furthers GE's participation and expertise in the areas of mechanical transmission systems, low-pressure



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turbines, combustion technology, and automation systems. "Avio Aero operates in four continents and enhances our global capabilities and engineering strength as our production rates rise," said David Joyce, president and CEO of GE Aviation, based in Cincinnati, Ohio. "Also GE will build Avio Aero's position as a supplier to other industrial and aviation companies. We are thrilled to further our industrial participation in Italy."

#### Boeing reports strong second-quarter results and raises 2013 EPS guidance

Boeing reported that second quarter core earnings per share (non-GAAP) increased 13 per cent to \$1.67, driven by strong performance across the company's businesses. The quarter's core operating earnings (non-GAAP) also increased 13 per cent to \$2billion from the same period of the prior year. Revenue was \$21.8billion for the quarter, GAAP earnings from operations was \$1.7billion and earnings per share was \$1.41.

Core earnings per share guidance increased to between \$6.20 and \$6.40 and GAAP earnings per share guidance increased to between \$5.10 and \$5.30, reflecting the strong performance. The company also increased its revenue guidance to between \$83 and \$86billion on higher defense, space and security revenues and reaffirmed its 2013 operating cash flow outlook.

#### MTU Aero Engines revises guidance at half-year

MTU Aero Engines increased its revenues by 19 per cent to €1,852.2million in the first six months of 2013, compared to €1,559.0million for the same quarter last year. Operating profit for the period came to €171.7million compared to €175.8million for the same quarter in 2012, which corresponds to an EBIT margin of 9.3 per cent. The group's net income amounted to €105.1million, compared with €109.7million in the first six months of 2012.

"Our commercial series business registered strong growth in the first half year as planned," explained Egon Behle, CEO of MTU Aero Engines AG. "It is of vital importance to MTU's future growth but it initially cushions the earnings development.

At present, the spare parts business is unable to fully counterbalance because sales have been lower than expected in certain programs. Moreover, business in the industrial gas turbine sector is stagnant. We expect to see only a moderate improvement of this trend in the second half of the year and have therefore decided to specify our full-year revenue estimate and to revise our earnings guidance."

MTU now expects to generate revenues of around €3.7billion in 2013, in line with its earlier forecast of an increase of between 10 and 12

per cent (group revenues 2012 were €3,378.6million). MTU's earnings guidance now foresees an operating profit (adjusted EBIT) of around €375million, compared to €374.3million last year, and an adjusted net income of around €235million. Until now, each of these figures had been expected to increase by 10 to 12 per cent.

#### B/E Aerospace second quarter 2013 results exceed expectations

B/E Aerospace announced second quarter 2013 financial results. Second quarter 2013 revenues of \$850.3million increased \$82.2million, or 10.7 per cent, as compared with the prior year period. Second quarter 2013 operating earnings were \$158.7million, an increase of 15.2 per cent, and operating margin of 18.7 per cent increased 80 basis points as compared to the prior year period.

The growth in operating earnings and the improvement in operating margin occurred primarily as a result of operating leverage at the higher revenue level and ongoing operational efficiency initiatives. Second quarter 2013 net earnings and earnings per diluted share were \$92.4million and \$0.89 per share, increases of 29.8 per cent and 29 per cent, respectively, as compared with the prior year period.

Second quarter 2013 commercial aircraft segment (CAS) revenues increased 9.9 per cent while operating earnings of \$79.7million increased 14.0 per cent as compared with the prior year period, and operating margin of 18.5 per cent expanded 70 basis points, due to operating leverage at the higher revenue level and ongoing operational efficiency initiatives.

Second quarter 2013 business jet segment (BJS) revenues increased 19.3 per cent while operating earnings of \$17.7million increased 42.7 per cent as compared with the prior year period. Operating margin of 16.6 per cent expanded 270 basis points as compared with the prior year period, reflecting the increase in revenues, an improved mix of revenues and ongoing operational efficiency initiatives.

#### SIA Engineering posts group profit of \$69m for 1st quarter 2013-14

SIAEC Group posted a profit of \$69million, a decrease of \$1.1million or 1.6 per cent compared to the same quarter last year. Revenue decreased \$11.1million or 3.7 per cent, primarily due to



David Joyce, president and CEO of GE Aviation with Piero Fassino, mayor of Turin and Francesco Caio, CEO of Avio Aero.

Photo: GE

lower material and fleet management revenue. Expenditure fell by \$4.4million or 1.7 per cent, mainly from decreases in subcontract and material costs. The resulting operating profit for the quarter was \$27.7million, a decrease of 19.5 per cent. Associated and joint venture companies turned in a strong 14.0 per cent growth in contribution for the quarter. Share of profits before tax at \$45.6million accounted for 58 per cent of the group's pre-tax profits.

#### Erickson Air-Crane announces definitive purchase agreement for Air Amazonia Aerial Services business

Erickson Air-Crane Incorporated has signed a definitive purchase agreement to acquire Air Amazonia Serviços Aeronauticos Ltda. (Air Amazonia), the aviation services division of HRT Participações em Petróleo S.A., as well as a fleet of six aircraft and ground facilities.

The company expects the transaction to close in the third quarter, following the satisfaction of certain customary closing conditions. Pursuant to the agreement, Erickson will pay \$23million at closing for the business, which includes a fully operational fleet of six rotary-wing aircraft of varying types and mission capabilities and an additional \$3million within 12 months of closing as consideration for the achievement of certain milestones.

In conjunction with the acquisition, Erickson Air-Crane will enter into a five-year aerial services contract (including annual renewal options) with HRT to provide rotary-wing aircraft services to support their oil and gas activities in the Solimões region. Erickson expects to service the contract with the six aircraft acquired from HRT in addition to deploying two currently idle aircraft from their fleet.

The aerial services contract will provide Erickson with minimum revenue of \$29million per year.

**ThyssenKrupp Aerospace**, via its UK subsidiary, has acquired the business activities of the Waterjet Group, based in Darton, England. The closing took place on July 31, 2013. The parties have agreed not to disclose the purchase price. The Waterjet Group, with around 40 employees, was established in 2002 and is a leading UK waterjet cutting company for the aerospace industry.

The company has several waterjets and related value add equipment, a large number of aerospace approvals and to a smaller extent also serves other high-tech industries, including the medical technology sector. The Waterjet Group operates out of a site near Leeds. With its equipment, the company is able to process a wide range of materials and sizes for the European and international customer base.

ThyssenKrupp Aerospace has been working with Waterjet for many years and will be integrating its employees, equipment and technical expertise into the ThyssenKrupp Aerospace global network.

**In-flight entertainment (IFE) company, IFE Services**, is Gambia Bird's new content service provider. The agreement covers the provision of a regularly refreshed package of modern classic movies and top-rated TV shows as well as a broad selection of different music genres.

Passengers can enjoy the great content on the aircraft's overhead digital IFE systems. Founded in 2012, Gambia Bird Airlines is

headquartered in Banjul, the Gambia. The company is financially backed by German airline group, Germania. Gambia Bird provides scheduled flights across West Africa including The Gambia, Ghana, Liberia, Senegal and Sierra Leone as well as to the UK and Spain.

**MAINtag**, a leading provider of aerospace flyable RFID tags, readers, software and integration services, has launched FLYcheck, a 3D iPad-based assets management solution for inventory and maintenance of cabin passenger and security equipment. The FLYcheck interface delivers a realistic 3D view of an aircraft's interior cabin and provides data, graphics and animation for multiple viewing angles. "The FLYcheck solution complies with ATA Spec 2000 and provides status to see which parts are approved or reported, or if a part is missing or expired, along with other useful data," said Bruno Lo-Re, President and CEO of MAINtag in Paris, France.

"At the same time, FLYcheck may reduce inventory check time by as much as 90 per cent. The accuracy of the system reduces risk of errors compared to existing methods of cabin safety equipment checks that may be outdated or unintuitive."

AerData, a provider of

software and services for the aviation industry, announced that Boeing will use STREAM records management solution in support of its GoldCare program for airline fleet maintenance. STREAM (Secure Technical Records for Electronic Asset Management) is the industry's foremost web-based solution used by the world's leading airlines, lessors and MROs to manage scanned aircraft and engine records.

AerData will scan the aircraft technical records and make these available to Boeing personnel supporting GoldCare. GoldCare is a flexible lifecycle solution that offers a tailored combination of maintenance engineering and planning, material management and maintenance execution as a multiyear service managed by Boeing.



The FLYcheck interface delivers a realistic three-dimensional view of an aircraft's interior cabin, and provides data, graphics and animation for multiple viewing angles.

Photo: MAINtag

## Information Technology News

**Denim**, a leading provider of flexible aircraft and crew capacity solutions for airlines, virtual airlines and non-governmental organizations worldwide, has signed a new contract for AviNet Mail and GLOBALLink ACARS.

AviNet Mail provides reliable and economical Type B, email and SMS messaging for mission-critical business-to-business communications for the aviation industry. ARINC's GLOBALLink ACARS solution provides instant air-to-ground and ground-to-air

data communication for Denim's Embraer 190 planes configured with this new service. GLOBALLink ACARS will enable Denim to operate its aircraft more efficiently and give it more visibility into how its aircraft are performing by maintaining critical, automated, real-time messaging between the flight crew and its maintenance organization.

**Panasonic Avionics** has signed a memorandum of understanding (MOU) with China Telecom Satellite Communications to jointly develop, implement and support in-

flight connectivity solutions for the Chinese market.

The signing of the MOU will also make possible the first ever provision of in-flight connectivity to Panasonic's 36 non-Chinese customer airlines when flying into and over China. Panasonic Avionics' eXConnect system uses its global Ku-band aeronautical satellite network to deliver in-flight broadband connectivity, enabling passengers to access the internet, send email or log onto their favourite social media sites.

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Michel Abella, the new president of Nexcelle

Photo: Nexelle

**AJW Aviation** has appointed **Ruslan Nurislamov** as vice president of business development to promote its integrated aircraft support services. Nurislamov will be responsible for Russia and CIS regions and will also focus on promoting AJW Technique – the global hub for AJW component repair activities located in Montréal, Canada. Based in the Moscow office, Nurislamov brings with him a wealth of experience from his previous roles as Customer Support, Sales and General Manager for Lufthansa Technik for the Central Asia region.

**Edward Dolanski** has been named president and CEO of **Aviall**, a wholly owned subsidiary of The Boeing Company. Dolanski joined Aviall in 2007 as senior vice president of operations and was promoted to executive vice president and chief operating officer in January 2010.

**Nexcelle**, the joint venture company of **GE Aviation** and **Aircelle (Safran)**, has named

**Michel Abella** as its new president. Abella has nearly 40 years of aeronautical experience in jet engines, nacelles, aerostructures, aircraft systems, power plant integration and program management. This expertise will be applied as Nexcelle pursues its development of nacelle systems for next-generation integrated propulsion systems that equip commercial airliners and business jets. In particular, Abella will oversee Nexcelle's ramp up of production and initial hardware delivery for the company's two current program wins: the nacelle systems for CFM International's LEAP-1C integrated propulsion system on COMAC's C919 airliner and the GE Passport engine for Bombardier's Global 7000 and Global 8000 twin-jet business aircraft.

**IBA** appointed **David Yu** as executive director, business development – Asia. With extensive knowledge in aviation finance and leasing including deal origination, analysis, structuring, financing and portfolio management, Yu's experience will strengthen IBA's expansion across the Asia region. Previous responsibilities include acting as Libra Group's China chief representative and vice president Asia, where he regulated all Libra's Asian interests including the growth of its aircraft leasing entity, Lease Corporation International. Yu has also worked within Bank of America's Global Industries Group where he was focused on transactions in transportation, aerospace and defence and diversified industrials. He will continue to act in his current role as managing director of Inception Aviation. Yu is fluent in English and Mandarin. He will be based in Beijing and cover the Asia region.

**MTU Aero Engines AG**'s supervisory board voted to extend chief operating officer **Dr Rainer Martens'** contract. Martens has been a member of MTU's board of management since April 15, 2006, with overall responsibility

for engineering and production. The contract renewal is for a term of five years commencing on April 15, 2014.

**Claude Poulain** is the new chairman and CEO of **PowerJet**, a decision made by the board of directors who met on July 8th, at Snecma's headquarters (Safran). He replaces Jacques Desclaux who is taking up other duties.

**Thomas Kennedy** has been appointed as regional vice president of sales, Asia of the **Mubadala Aerospace MRO network**. He will lead the Asia sales team out of Singapore and will report directly to Frédéric Dupont, head of global sales of the Mubadala Aerospace MRO network. Kennedy has a long-standing technical and commercial background with 23 years in the international aerospace industry with a strong track record in MRO operations, commercial sales and business development in the aftermarket sectors.



Dr. Rainer Martens, COO  
MTU Aero Engines AG

Photo: MTU

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