The North American MRO market chiefly the U.S is projected to represent $124.8 billion over the five years but as industry analysts project, the region will experience very moderate growth over the next decade. Keith Mwanalushi reports.

North America MRO spend is forecast to shrink from $19.9 billion in 2018 to $19.4 billion by 2023, then rebound to $23.8 billion by 2028—overall, relatively flat growth with 1.8% CAGR according to experts at Oliver Wyman.

Dany Kleiman, Group Vice President – Repair and Engineering at AAR observes that in terms of airframe MRO, the most significant trend in the region is the shortage of qualified aircraft mechanics and the negative impact its having on labour rates. “A significant trend I’m seeing on the component side of the business is OEMs raising the prices of piece parts, which is driving up the cost of repairs.”

Angela Garber – VP Sales North America, AJW Group highlights the significant challenge posed to North American airlines and OEMs by an influx of new carriers and providers, whose long-haul low-cost offering threatens to make legacy carriers non-competitive. “As established North American OEMs and airlines are obliged to innovate to participate, the MRO industry and whole supply-chain providers like AJW are adapting to support their ever-increasing need to reduce costs and drive efficiencies. As a result, the term ‘value engineering’ is increasingly being used to describe MRO that goes beyond simple repairs to unlock financial gains and efficiencies for operators across the supply chain,” states Garber.

Another significant trend today in the North American market is the consolidation of OEMs and MROs. Franck Becker VP Sales Americas for AFI KLM E&M states that over the past decade, there has been a notable strategic growth of the MRO market with an increased OEM/OAM competition.

Ben Thomas, Vice President Product Lines, Services and Aftermarket Sales at KLX Aerospace Solutions agrees about consolidation in the market. “All the players throughout the MRO space are getting bigger, the airlines, the MROs, the repair shops, and the numerous service providers up and
“Well, as the consolidation of OEMs is accelerating with a vertical integration, major MROs will not change while smaller ones may disappear,” adds Becker.

Tom Covella, Group President of STS Component Solutions also agrees that there is a large consolidation of MRO players in the market. He says there is a great deal of mergers and acquisition activity occurring where niche MRO service providers are being acquired and integrated into larger MRO business platforms.

There also continues to be strong demand for narrow body aircraft components, indicates Shawn Kling, President at Universal Asset Management(UAM)which has driven the prices higher than expected on aircraft being acquired for disassembly and aircraft part sales. “The market place for desirable narrow body aircraft has therefore become extremely competitive to the point that the pricing is simply too high to see any returns for the typical aircraft parts distributor.”

In turn, Kling feels this is forcing more MROs to try to acquire aircraft on their own to fulfill their parts demand. “MROs that have not traditionally done this before are finding out that it takes much longer than they realized, and that acquiring aircraft is far more difficult and expensive than what they had previously envisioned.”

From an engines perspective, MTU Maintenance is still seeing increasing leasing and MRO demand for mature engine types such as the CF34-3, CFM56-3C1 and CF6-80C2. “Only two years ago, these were heading to their final resting place in the desert or destined for teardown” says Les Cronin, Senior Director of Marketing and Sales North America, MTU Maintenance. “But now they are returning to active service – in some cases resulting into an immediate need for MRO services, from smaller work scopes to heavy maintenance.”

In the latter case, as Cronin explains, it means that work scopes are being performed with a view to longer-term operations. He says lease engines with green-time are also currently in high demand.

MTU is also witnessing a strengthening in demand on maturing engine types such as the CF34-8E, CFM56-5B/-7B and V2500-A5 – both for MRO and lease support services.

The major aircraft OEMs are changing their approaches to the aftermarket and are pushing for more revenue growth, clearly. “We feel that the industry will continue to see a trend toward outsourcing MRO work to independent providers as well as the OEMs. In the past our company has developed partnerships with OEMs, on the engine side, for landing gear, as well as components through joint ventures, which is more of a win-win than competing directly,” states Mark Davis, Senior Vice President Commercial, HAECO Americas.
Stephen Lim, President of VT SAA, ST Aerospace’s facility in the US notices how OEMs are becoming more protective of their Intellectual Property (IP), and foresees possible acquisitions of independent providers by the OEMs.

“Having said that, we view the OEMs not just as competitors, but also our partners and customers. As the OEMs’ core business still lies in the manufacturing of products and aftermarket parts sales, established MRO players such as ourselves can offer both scale in facility network and range in MRO capabilities in collaborations with the OEMs. Such a collaboration helps lead to stronger focus on improving performance, reliability and cost efficiency,” says Lim.

ST Aerospace is seeing an uptick in the demand for MRO services due to the recovery of the air freight market, while airlines have also been investing in upgrades and new interiors as they continue to enjoy being profitable. “However, in the long term, the overall North American MRO market may remain relatively flat due to new-generation aircraft which have lower maintenance demands,” suggests Lim.

Kleiman of AAR says OEMs’ increased participation in the aftermarket has substantially impacted the supply chain and led to greater consolidation among smaller service providers. “But that’s due largely to increased competition on legacy parts.”

AAR sees this as an opportunity to grow their portfolio of services, stand out and remain competitive, considering anticipated changes to the supply chain related to new products entering the market. Although next generation aircraft and advances in airframe manufacturing give OEMs the upper hand to control the aftermarket for new parts and aircraft, AAR sees opportunities for OEMs to partner with small providers like AAR to focus on legacy aircraft.

Garber says MRO providers like AJW have long recognised that OEMs will not achieve significant revenue growth through incremental operational efficiencies, but by making step changes that have the power to transform their operations. “This is why aftermarket providers including AJW are now offering a holistic approach to supply chain management, which looks at how the whole process of sourcing, maintaining and managing aircraft spares can be streamlined.”

An example of this holistic approach to MRO is AJW’s work for Bombardier Business Aircraft, where AJW uses a bespoke IT interface and predictive maintenance technology to manage the strategic sourcing of repairs from OEMs and MROs, including AJW’s maintenance hub for component repair and overhaul service, optimising performance, and efficiency of the services while reducing operating and total life cycle costs for Bombardier.

Pastor Lopez, President at GA Telesis MRO Services feels the most disruptive dynamic at the moment may be the OEM penetration of the aftermarket services. “They have made their intentions very clear,” he observes. “However, OEM’s will still require a support network around the world to be able to provide timely solutions to operators.”

Notwithstanding this, independent MRO’s are changing their strategy to ensure they stay relevant. “Companies like ours that have an internal eco-system will be in a better position to excel in the new environment. OEM’s need our full breadth of external support and capabilities to ensure the useful life of aircraft are extended, thereby increasing the residual values of their assets,” explains Lopez.

Lopez advises that it is also in the best interest of the airline operators to ensure there is a solution outside of the OEM’s to maintain costs in check. “This could be a multiprong solution. Recently, we signed an agreement with Honeywell to provide OEM parts at competitive prices that match those of PMA’s. This provides OEM quality while effectively decreasing operator’s unit cost.”

North American operators have traditionally taken a longer view for their operations, as having the youngest fleet over their competitors is less of a competitive play compared to other regions of world, stresses Cronin from MTU. “For such fleets, MTU Maintenance can optimise MRO across the entire lifecycle, resulting in significant cost reduction over the operational timeframe and beyond, for instance through asset management services and teardown.”

North American operators also have a very strong focus on owned assets across the lifetime and cost-minimisation, so in many cases they are open to solutions from independent MRO providers, like MTU Maintenance, that include alternative MRO and alternatives to OEM MRO solutions, especially in the latter part of the lifecycle.

As mentioned elsewhere in this article the shortage of qualified mechanics is affecting the market. “There is a shortage of qualified maintenance technicians in the U.S.,” affirms Davis from HAECO. “Attracting qualified people and retaining them is key to our long-term success.”

As the market continues to expand, the need for maintenance professionals will increase even further. “We partner with local technical schools to provide a defined track for education, training, onboarding and retention. Additionally, we are honoured and actively engaged in recruiting men and women of the armed services who are returning from active duty and entering the civilian workforce,” Davis tells.

While the demand for aircraft maintenance technicians remains strong, the supply of talent is decreasing, Covella says part of this has to do with the generational gap that exists between the dominant workforce demographic, those older than 45 years of age, and those now entering the profession.

“While the ageing workforce steadily moves into retirement, there are not enough young technicians entering the field. This creates a fairly unique challenge for staffing organisations. Covella believes it also provides a unique opportunity. “The challenge comes from finding the qualified aircraft maintenance technicians needed to service the evolving fleets of many. However, an op-
portunity presents itself to companies who can successfully tap into the immense power of modern recruitment tools while teaming up with schools around the country to both solicit, and hire, new and emerging technicians. Staffing organisations that can successfully embrace technology and create a strong, on-ground presence at these schools are no doubt better equipped to handle the demographic shift the industry is in,” he analyses.

Of course, the first fleets of next generation engines are now coming into service such as those powering the 737 MAX and A320 neo family.

Supporting the industry’s next generation of engine platforms is very strategically important for KLX Aerospace. “In addition to adding in house technical experts with experience working with these platforms, we have expanded our product and services offering in order to provide all of the consumables and expendables necessary to perform both line and heavy maintenance and repair on these new platforms,” says Thomas.

On its engine division, GA Telesis Engine Services (GATES), celebrated its five-year anniversary in May. “This business has transformed into a world-wide recognised brand under great leadership,” says Lopez. Currently, GATES has several partnerships with OEM’s to support their engines. Moreover, in August of last year GA Telesis and Tokyo Century Corporation launched a $1 Billion new technology engine leasing initiative. The target portfolio will consist of the following engine models: General Electric GEnx, Rolls-Royce Trent 1000 and Trent XWB, Pratt & Whitney GTF and CFM International LEAP engines.

Looking at some of the challenges in the North American market, Becker from AFI KLM E&M says one of the key challenges facing the MRO industry today is the material costs policy with OEMs. “Access to spare parts is challenging as OEMs often implement new rules. We have to find alternative solutions and sign agreements to prevent those changes,” he stresses.

Kling observes that many new inexperienced entrants into the industry are artificially driving up prices of aircraft and their components. UAM / ARI is leveraging its considerable and readily-available capital to safely and securely close on a transaction, without any execution risk or delay that is common with its competitors and new entrants into the industry.

The North American MRO market will experience important challenges as substantial fleet growth in emerging markets like Asia Pacific, China and India shifts MRO spend to those regions, Garber reckons. “Ironically, this may lead to eventual opportunities for MROs in North America, if over the next decade these regions are not able to keep up with MRO demand. Couple this with forecasted capacity constraints and rising labour costs, operators in these regions may need to look elsewhere for MRO support.”

At first glance, it would seem logical for an airline requiring MRO support in Chengdu to seek help in Singapore, as opposed to Montreal where AJW Technique, the group’s component repair and overhaul service, is based. “In reality however, the numbers seldom stack up,” Garber concludes.