

ALTERNATIVE SOLUTIONS



Question: What are the main advantages of alternative maintenance solutions for the global airline industry?

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AVB THE SEARCH CONTINUES FOR COST SAVINGS IN THE AIRLINE INDUSTRY

At a time of weak revenue growth, the global airline industry has continued to seek more innovative cost containment strategies. Maintenance, which ranks second behind fuel as the largest cost line item for airlines, has huge potential for cost savings. Much of these savings can be realised through the use of DER repairs – i.e. repairs approved by FAA Designated Engineering Representatives – and parts manufactured under PMA (parts manufacturer approval) by reputable sources other than the original OEM (original equipment manufacturer).

AVB HOW THE RIGHT APPROACH CAN RESULT IN LOWER OPERATING COSTS

DER repairs and PMA parts programmes that specifically focus on gas path components can result in savings of more than US\$500,000 per shop visit, or over 50 percent of the typical OEM catalogue pricing. These alternative parts and repair programmes not only represent a great opportunity for savings, I believe they represent the only form of competition available in this specialised market.

AVB CHALLENGES IN GETTING AIRLINES THE BEST VALUE FOR THEIR MONEY

It is not surprising that OEM parts manufacturers view PMA as a challenge to their dominant position in the lucrative aviation aftermarket. They have fought back using threats of limited support for customers that use PMA products. Additionally, they have continued to foster an atmosphere of unfounded and unsubstantiated distrust for the quality, safety and performance of PMA parts among airlines and the airframe and component leasing companies. In fact, many leasing company contracts specify the use

of OEM parts only, on a premise naturally supported by the OEMs that PMA parts will depress asset resale values. A similar position has been taken by both OEMs and many leasing companies concerning non-OEM repair schemes developed and implemented by government appointed Designated Engineering Representatives.

AVB SETTING THE RECORD STRAIGHT

Our company, Chromalloy, has been in the DER repair and PMA business for almost 60 years. Currently, we have close to 400 PMA certified products, and another 30 PMAs currently under development. We have performed literally millions of DER repairs on most major engine platforms, and have also been a supplier of parts to the OEM market for the past five years. Based on our experience, I would like to set the record straight by addressing some of the myths surrounding PMA and DER. According to various studies, the PMA share of the aftermarket is about three percent and growing. While North America is its epicentre, Europe, Asia, the Middle East and Latin America are seen as expanding markets. It's not hard to see

why. PMA is an FAA approval that ensures that the parts meet the same airworthiness standards for the specific system on the aircraft to which it will be applied. While OEMs have claimed that their parts are more reliable, the fact is that while the use of PMA parts has been increasing substantially, service failures and non-OEM airworthiness directives (AD) have not. Data derived from government public record information reveals that since 1992, there have been 287 ADs on OEM products but only three concerning those from approved PMA sources.

AVB THE TREND IS STARTING TO GROW

These are the facts about PMA, and they haven't been lost on the OEMs. Some are now getting into the business themselves, and providing PMA parts for their own aftermarket programmes. Along this line, some of the largest non-OEM leasing companies have permitted the use of PMA parts and DER repairs on their equipment for years. DER repairs are, in fact, being extensively accepted on a global basis and can be found on virtually all aircraft engine types.

AVB LEVERAGE THE CUSTOMER POSITION

With more airlines demanding the ability to utilise PMA parts and DER repairs, we are seeing a gradual change in the behaviour of engine and airframe lessors. As we continue to see more acceptance of PMAs and DERs worldwide, we believe their concerns about PMA and DER will decrease. To encourage that, we recommend that airlines leverage their customer position with the leasing firms and insist that contract language permit the use of PMA parts and DER repairs, as long as the repairs have FAA and EASA approvals. The savings and the safety record are too substantial to ignore. **AVB**

