

AAR Eyes Further Expansion, Seeks Strong Local Partners

October 11, 2018 | [Asian Airlines & Aerospace](#) | By: Arun Sivasankaran

U.S. MRO provider AAR, which has been busy boosting its global presence and diversifying its services, wants to grow its global footprint even further with the help of strong local partners. In February this year, the company, which already has a sizable presence in Asia, announced a joint venture with Indamer Aviation in India for the development of a new MRO facility in Nagpur, which is slated to open by the end of the year. The company is always on the lookout for growth opportunities in the Asian region that align with its growth strategy and capabilities, **Colin Gregory, AAR Vice President of Sales – Asia Pacific Region**, tells Asian Airlines & Aerospace in an interview.



You have been on something of an expansion spree internationally. Is it set to continue?

Local connections are important but global reach is necessary to ensure growth. We have a global presence with the AAR Landing Gear Services joint venture with a Malaysian MRO provider near Kuala Lumpur’s Subang Airport. The component repair facility in New York is mirrored in Amsterdam, while our subsidiary Airinmar in the UK offers repair cycle management services. More recently, we added to our North American MRO network by acquiring two Canadian facilities from Premier Aviation. There is also the joint venture with Indamer Aviation in India. We continue to seek additional opportunities to share our expertise and grow our global footprint, but we feel it is important to find strong local partners to ensure the success of the business.”

Tell us more about the joint venture for airframe maintenance with Indamer Aviation? Does the company have signed contracts with any customer? When will work start?

The new MRO facility, a joint venture with Indamer Aviation, a leading aviation company in India, for the development of a new airframe maintenance, repair and overhaul facility in Nagpur, is already under construction. It will initially be comprised of six narrow-body bays, including one bay for paint. Additional phases are planned for a total of 16 bays, as well as component repair shops.

The MRO will serve India's fast-growing commercial aviation market and is scheduled to open by year's end with FAA, EASA and DGCA certifications. Fully aligned with the 'Make In India' initiative, the facility will employ Indian nationals, including some of the existing Indamer workforce. A training school under Indamer's CAR 147 certification and the Government of India's Skill Development Program will allow hundreds of students to gain skill sets and employment in Nagpur. The initial group of students will receive practical training at one of AAR's MRO facilities in the United States.

With the center of gravity of the aviation industry moving toward Asia, do you see the company expanding further in the region?

"AAR has always looked at Asia as a key region for growth, with offices in Singapore, Shanghai, Australia and Japan. We offer a variety of aftermarket solutions like warehousing, parts supply, and Engineering Services for interior modifications for Asian airlines and MROs in the region. We are always looking for growth in the region."

What are some of the new contracts you have signed in the Asia Pacific region?

APAC is very important to AAR's growth strategy. In recent years, AAR has expanded its capabilities in the region and recently signed a contract to support of Air New Zealand's expanding fleet.

What is the company's commercial aviation/military aviation business split? How much has it changed in recent years?

Our market solutions are offered at more than 60 locations tailored to commercial and non-commercial operators. Currently the split is 75% commercial, 25% non-commercial business.

OEMs are playing an increasing role in the aftermarket. How much does that affect the business prospects of independent MRO providers like you?

AAR sees the OEMs' plans to participate more actively in the aftermarket as an opportunity as well as a challenge. Some of the aviation industry's biggest component OEMs have recently signed exclusive partnerships with AAR to leverage the company's aftermarket expertise. AAR serves as an extension of OEMs' salesforce and warehouse network worldwide. Given our expertise in aftermarket MRO, AAR recently joined the Airbus MRO Alliance to become a preferred provider of heavy maintenance to Airbus customers.

AAR has partnerships with more than 30 OEMs including Ametek, Crane, Eaton, Northrop Grumman, Pratt & Whitney, Unison and UTC Aerospace Systems, which help it supply military aircraft operators and airlines with parts.

What, in your opinion, are the advantages that independent MROs have over OEMs when it comes to capturing business?

AAR uses its aftermarket experience and wide variety of services on all aircraft platforms to provide best-in-class solutions from a single independent supplier that can be tailored to

almost any operator's needs. The company is nimble enough to leverage market opportunities to help its customers increase efficiency and reduce costs while maintaining high levels of quality, service and safety. And it has the financial stability to invest on behalf of its customers, thereby reducing their capital costs.

The company also has the benefit of a global warehousing network to ensure parts are more readily available and we have been developing value-adds like full engine management solutions to help customers increase the lifecycle of their engines and reduce/stabilize their cost structure. AAR is also focusing on digitization as it looks to utilize data to help its customers better predict and manage maintenance costs.

One of the major problems that the MRO industry is facing is shortage of maintenance technicians. What is the company doing to tackle the shortage?

AAR has a number of initiatives to address the challenge of a very tight AMT supply. As the current workforce retires and with not enough experienced talent to fill the gap, things will only get worse. In APAC, another challenge is the mismatch between regulatory requirements accepted in the region versus nearly every place else in the world.

As part of our efforts to address the issue, we partner with community colleges and aviation training centers near our MRO facilities to help develop a curriculum for students on modern airframe and power plant technology, which leads to the required certification and an opportunity for immediate employment at an AAR facility. We are working with elected officials, the FAA and DOD to make it easier for aviation mechanics leaving the military to be certified to work on civilian aircraft.

We allow students and new grads to earn while they learn but margins in the competitive heavy maintenance industry are too thin to finance this alone. AAR is also starting a new on-the-job training by current AMTs to reduce the time it takes to upskill freshly minted A&P mechanics from up to a year down to 6 months. The company supports initiatives to expose young people to aviation careers and encourage them to take STEM courses, which will be needed to work on next-gen aircraft using advanced technologies.

AAR also hosts events and programs at middle and high schools in cities where we expose students and their teachers to aviation careers and to help change their perceptions about hands-on skilled labor. The company, our former CEO David Storch and Ira Eichner contributed US\$1 million to sponsor the interactive Design Hangar where students conduct experiments in the "How Things Fly" exhibit at the Smithsonian Air & Space Museum. We also sponsor the Royal Aeronautical Society's Cool Aeronautics programs in the UK.

How successful has the company been in incorporating technological changes such as digitalization and artificial intelligence?

AAR established an online store for factory-new component sales more than 10 years ago. In October 2017, we broadened our online presence by launching PAARTS store, a revamped online marketplace giving existing and new aftermarket customers—typically airlines, aircraft operators, MROs and brokers—real-time access to a full inventory of over one million new and used parts. These include overhauled, serviceable and repairable airframe and engine components for almost every commercial aircraft type.

We have also partnered with technology companies with the intent to deliver the robustness of a business-to-business portal, AARIVE, with a “look and feel” driven more by the more familiar B2C sites. Eliminating the tedious chain of requests and providing customers with the opportunity to pace their selection as they determine was a key driver in the development of the portal

Big data is having an increasing impact on MRO activity. What are some of the steps taken by the company to effectively use big data?

Primarily, the data available to us as an independent MRO/non-airline is data that we generate internally. There are a few consortiums in our industry starting to form that hold the promise of shared data, however the OEMs are moving rapidly to control and charge for the use. As one of the largest MROs in the world, we can generate much of the data we need. However, with the emergence of predictive maintenance and the hype around that, we are always looking for additional ways to capture more data.

With our aftermarket experience and knowledge, we can predict the part usage, order parts at or outside of lead time, train mechanics better and identify opportunities for improvement. In turn, this leads to reduced inventory, lower price of acquisition and efficiency improvements.

How important is it for an independent MRO company to diversity its services in the current market?

Because AAR is independent and not part of an airline or OEM, it is able to make customer-focused sourcing decisions and act quickly.

Differentiating AAR is the ability to provide nose-to-tail MRO services. Our breadth of services provides comprehensive cost-per-flight-hour and cost-per-landing support via our component repair shop in New York; wheels and brake shop in Miami; and component management and access to pool parts.