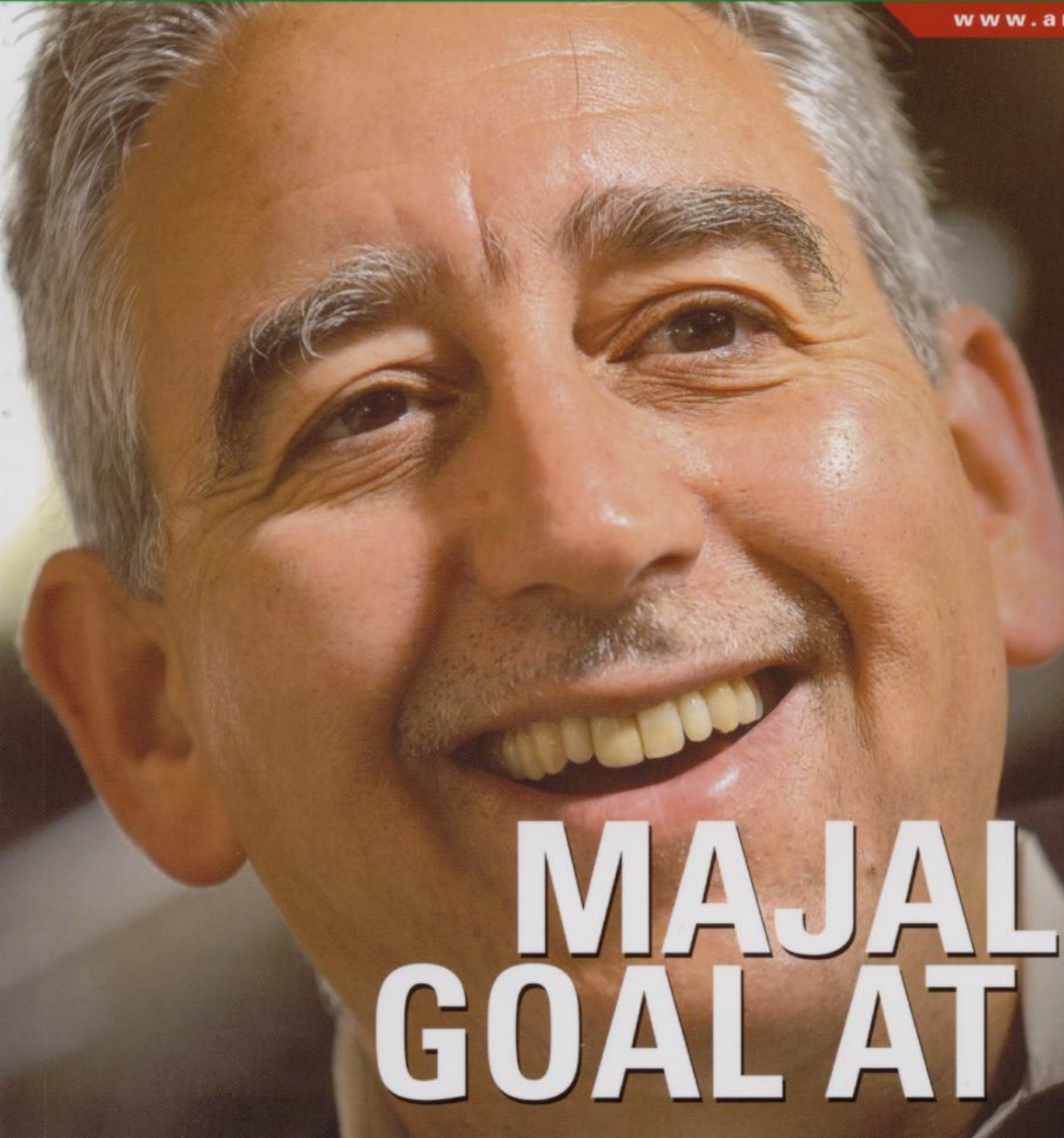




ARABIAN AEROSPACE

THE MAGAZINE FOR AEROSPACE PROFESSIONALS IN THE MIDDLE EAST AND NORTH AFRICA

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**'IT IS THE
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SENSE.'**

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*The collision of trends evident at this year's MRO Middle East show in Dubai is lending a sense of urgency to the relationship-building efforts of big names in the maintenance, repair and overhaul industry, writes **Brendan Gallagher.***

With its start-up airlines, fleet renewal and expansion programmes, and vast infrastructure developments, the Middle East is still the land of opportunity for MRO providers.

What's more, the region's carriers are as enthusiastic as any about outsourcing MRO so they can focus on flying aircraft and pleasing passengers.

But, for the European giants of the industry, this rosy picture is dimmed a little by the growing reality of competition from indigenous providers. Speaking at MRO Middle East at the beginning of March, Christophe Bernardini, chief executive of Paris-headquartered Sabena Technics, summed up the problem faced by the traditional suppliers.

"Emirates, for instance, has an excellent MRO operation. In the short term it faces problems finding enough suitably qualified local managers and engineers locally, and that creates a window of opportunity for external expertise," he said. "But how long will that last? And how long will it be before we find Middle Eastern suppliers looking for business on our home turf?"

For Sabena Technics, and at least one other major European supplier, the answer lies in partnerships designed to tie them into the region for the long haul and to smooth out the bumps of a volatile, increasingly commoditised market. "I want to partner with customers with the strategic intent of achieving longer-term stability in a competitive market where customers tend to switch suppliers very quickly," Bernardini said. "By that I mean joint ventures, set up to serve third parties and share the profit and loss."

Sabena Technics has already put this theory into practice in the form of the X-Air Services joint venture with Belgian freight company TNT Airways, and one with Tunisian charter operator Nouvelair, with a fleet of 19 Airbus A320s and Boeing 737s. "One of our criteria for the selection of suitable partners is geographical," said Bernardini. "We want to start with one per region. We have our partners in Europe and North Africa – now we're receiving expressions of interest from airlines in the Middle East."

As Lufthansa Technik's newly-appointed general manager for the Gulf, Ziad al Hazmi is responsible for the supply of MRO services to some of the top airlines in the region. His customers include Gulf Air, Oman Air, Qatar Airways and Saudia, and he's confident of adding to the list in the next few years.

"The growth that's happening makes us feel quite positive that there is plenty of further potential," said this Sharjah and London-educated aeronautical engineer. "Our business here is definitely growing, thanks to the fleet renewal that is going on and to the carriers' desire

How long can this window of opportunity remain open?



Christophe Bernardini: "How long will it be before we find Middle Eastern suppliers looking for business on our home turf?"

for long-term MRO solutions that save them money and allow them to focus on the core business of running the airline."

Helping to shape the German company's global strategy is Walter Heerdt, senior VP for marketing and sales. He echoed the Sabena Technics view of the challenge now faced in the Middle East by external MRO providers. "Though the recession has certainly left its traces, this region is prospering," he said. "The aviation market here is one of the fastest-growing in the



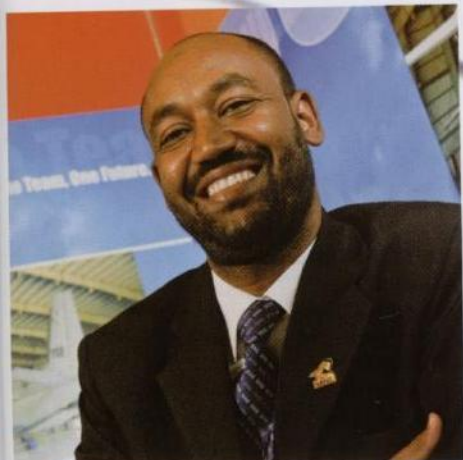
Alicia Morales: "We don't have anywhere near enough of our third-party business in this region – we want to improve on that."

world and there's a real depth of MRO capability already in place."

Like its competitor, Lufthansa Technik sees strategic partnering as the way to secure a future in the region. Last November the company announced a joint venture with Oman Air covering technical support for the airline and third-party customers. The partners plan to build a new hangar at Muscat International that will be able to handle up to two narrow-bodies and a similar number of wide-bodies simultaneously from 2012.



Rebecca Flick. "Around 500 companies use us in the Middle East at present – we expect that number to double in the next couple of years."



Abdelrahim Mohamed Khair. "This is a good opportunity to advance our business by seeing the future through the eyes of others."



Carlos Ruivo. "We're here now to expand our engine business – that's our prime focus in the Middle East."

could take a variety of forms, Heerdt indicated. "At present we see MROs teaming with airlines," he said. "But there no reason why one MRO shouldn't form a joint venture with another, or an MRO get together with an investment house."

While Lufthansa Technik is firmly implanted in the Middle East, two other major European airline-owned providers – TAP Maintenance and Engineering, and Iberia Maintenance – are knocking at the door.

"We have enjoyed some business in this region

– A320 D-checks for Syrian Arab Airlines, for instance," said Carlos Ruivo, the Portuguese company's marketing and sales VP. "We're here now to expand our engine business – that's our prime focus in the Middle East. At this event we have had a lot of visits from potential customers interested in finding an alternative to the OEM for engine support."

TAP also offers integrated airframe/engine/components packages and Ruivo sees this capability as another promising way into the Middle Eastern market. "I think we can differentiate ourselves through what we offer in this domain," he said. "We have been talking here about our total care capabilities with some very big operators."

Iberia Maintenance area manager Alicia Morales was frank about the company's ambitions. "At present we do about 55 per cent of our business with the parent airline and 45 per cent with third parties," she said. "We don't have anywhere

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near enough of our third-party business in this region – we want to improve on that.”

The Spanish company faces two particular challenges, according to Morales. “This market can be very complex, with a different way of doing business,” she remarked. “And we need to tell people here who we are, what we can do, and how good we are. At present they know about the airline but they still don’t understand that we offer service to third parties, that we are a serious alternative to in-house organisations and other MROs.”

The show also attracted two companies which provide vital IT and logistics support for the MRO business as a whole – US-based parts supply chain specialists AeroXchange and PartsBase.

“We’re well established in North America and Europe, and developing in Asia-Pacific,” said Kris Conrad, Asia-Pacific sales director for AeroXchange. “Now we’re turning our attention to the Middle East.”

The Texas-based company is riding high following two recent major deals – with Airbus for support of the aircraft manufacturer’s Flight Hour Services logistics and maintenance package, and with Ameco Beijing, which has signed up for the AeroBuy procurement offering. “We want to repeat that kind of success here and are now talking to several airlines and an MRO provider,” said Conrad.

As well as AeroBuy, the AeroXchange portfolio of software systems covers repair management, product and service sourcing, supply chain services, inventory management and component support. Said Conrad: “In a world where the airlines are increasingly focused on their core competence of operating aircraft, we do what other people don’t want to.”

While AeroXchange is airline-owned, PartsBase is completely neutral, according to strategic development VP Rebecca Flick. “People value the neutrality we offer,” she said. “We have no vested interest in the transactions that happen on our system. Around 500 companies use us in the Middle East at present – we expect that number to double in the next couple of years.”

Not all of the exhibitors were seasoned mainstream MRO players. Attending for the first time was Sudan’s Safat Aviation Complex, which specialises in the support of legacy Russian helicopters and fixed-wing aircraft.

“This is a good opportunity to advance our business by seeing the future through the eyes of others,” said technical sales manager Abdelrahim Mohamed Khair. “We’re here not only to show our capabilities but also to learn from the other vendors. We’re working on the Russian types now but we do want to transition towards modern Western-built aircraft in the next ten years.”

Ranging from seasoned performers aiming to cement their position in the region to ambitious newcomers with an eye on the first division, the vendors at MRO Middle East 2010 provided ample testimony to an industry that could see itself transformed in the decade ahead.

Fujairah shows off its potential

Fujairah International Airport is counting down to the opening of its new \$25 million MRO facility and has been presenting its potential to both MRO and aircraft interiors manufacturers and service providers.

Predictions that the MRO market will grow by 7.6 per cent year-on-year in the region and that aircraft interiors purchases from the rapidly growing commercial and business aviation sectors in the MENA countries will continue to lead the world, mean that many players are looking for bases throughout the Gulf.

Fujairah has already been prepared to invest. The new facility is being built in a partnership with airframe MRO company Europe Aviation. The latter aims to attract business not just from the Middle East but also from India.

The new hangar under construction will be capable of receiving one long-range and two single-aisle aircraft or four single-aisle aircraft at one time.

The airport has enjoyed robust growth, from the early days when it handled two flights per week to the current average of 60 flights per day, mainly cargo flights. Despite the recession-induced slump in airfreight in the last year, Fujairah’s traffic held up well. The airport also has a strategy to attract up to ten per cent of the UAE’s thriving business jet market.

Avtrade teams with Arabian Jets

Commercial aircraft component supplier Avtrade has signed a partnership deal with Arabian Jets, the Saudi Arabian-based aviation consultancy firm.

The deal comes less than a year after Avtrade opened its Dubai office to serve the regional market. “The new partnership with Arabian Jets will help Avtrade build on its reputation in the Middle East as one of the leading global component service providers to the aviation industry and help focus its strategy to enhance the Avtrade brand in the region,” said Jamie Brooks, sales director Middle East and Africa.

Avtrade opened a logistics centre of excellence in March at the Dubai Airport Free Zone to provide component support for B737, B767 and A320 aircraft.

Brooks is confident that “The partnership between Avtrade and Arabian Jets will compliment Avtrade’s expansion into the large Saudi Arabian market and Middle East Region.”

Arabian Jets has offices in Jeddah, Amman and Beirut and offers aircraft management, engineering and maintenance services, together with pilot training management and human capital building.



Turkish bullish over MRO plans

Turkish Technic is preparing to break ground on an approximately \$500 million expansion of its MRO business and is very firmly planting itself in the heart of the region’s thinking.

In addition, it has just launched a new engine repair facility in a joint venture with Pratt & Whitney (P&W) and aims to set up other deals with OEMs in areas that include landing gear and thrust reversers.

The company’s expansion is on the back of parent company Turkish Airlines’ ongoing profitability and growth plans that include a fleet expansion of 105 aircraft.

“We have very important expansion plans that reflect our confidence in the future,” said Turkish Technic purchasing manager Omer Saruhanlioglu.

“Our MRO bases are at the crossroads of a huge region, with markets that are very important to us, including the Middle East, the CIS countries and Eastern Europe.”

Just two months ago, the Turkish Engine Centre

was launched under the joint venture with P&W. It will focus on the CFM-56 and V2500 engines.

Next in line is a massive expansion of Turkish Technic’s MRO capacity with the launch of nearly \$500 million Habom project to be built at the newly-established Sabiha Gokcen international airport at Istanbul. The first phase of the facility is scheduled for completion in the third quarter of 2011 and will feature a three-hangar complex capable of taking three twin-aisle and up to 12 single-aisle aircraft. The third hangar will be a state-of-the-art paint shop.

“This is a very significant project to be undertaking in an economic crisis,” said Saruhanlioglu. “It shows our confidence in the future.”

He added that customer priorities had shifted during the recent economic crisis.

“In the last year, the most important issue for the customer was pricing,” he said. “Prior to that, priority for the customer was turn-around time. We were able to adapt to this new situation.”