Benefiting from an excellent location and hot, sunny weather, MRO Yearbook presents a round-up of the maintenance companies that can be found in Spain and Portugal.

MRO focus: Spain and Portugal

Both Spain and Portugal play host to a MRO giant, and beyond this there is a thriving aviation industry. Location is perhaps the biggest advantage these countries can offer, with companies being accessible to Europe, Latin America, Africa, and the Middle East. Looking at Spain first, its major player is Iberia Maintenance, whose parent company is Iberia Airlines. The company is based at Madrid Barajas Airport and has maintained aircraft for 80 years. It is the world’s ninth-largest maintenance company and the largest in southern Europe, with a third-party turnover of €574.2m. In 2007, Iberia Maintenance carried out 3,273 aircraft inspections, including 1,002 A checks, 244 C checks and 27 D checks. It also performed maintenance tasks on 145 aircraft engines, 34 auxiliary power units (APU), and 68,083 components.

Iberia Maintenance’s primary task is to support Iberia’s fleet of A320 family, A340, 757, and MD-80 aircraft types with maintenance services covering airframes, engines and components. On the third-party front it boasts more than 100 airline customers worldwide. These include British Airways, Continental Airlines, Olympic Airways, Mexicana, Atlasjet, Onur and China’s Southern, Xinjiang and Xiamen Airlines. The company’s MRO facilities cover a combined area of 200,000m², with seven hangars in total (including two painting hangars). The company has an engine test cell capacity of 120,000lb, with APUs and thrust reverser shops. Its workshops also include an automated wheel and brakes facility, sheet metal installations, composites, structural damages, galleys, interiors, and painting. Finally, Iberia Maintenance has an avionics and components shop.
A major recent development in Spain has been the formation of a 50:50 joint venture between Iberia Maintenance, via its subsidiary Iberia Tecnologia, and Singapore Technologies Aerospace (ST Aerospace), to create Madrid Aerospace Services. The new company will specialise in the maintenance of Airbus landed gear. Its initial focus will be to maintain the landing gear assemblies of A320-family, A330 and A340 aircraft. Its stated aim is to broaden the maintenance services already supplied by Iberia Maintenance and ST Aerospace to Airbus operators. According to an Iberia Maintenance statement: “The [maintenance] division is poised to double its revenues from outside clients under Iberia’s 2006-2008 strategic plan. This new joint venture reflects the division’s strategy in recent years of winning new customers while increasing specialisation in high value-added tasks such as landing gear maintenance.”

In August, Iberia Maintenance signed a maintenance and support contract with Nigeria’s Dana Airlines under which it will be responsible for the inspection, maintenance, and repair of its fleet of MD-83 aircraft and components. In late May, the company signed a long-term agreement with DHL to overhaul more than 80 Rolls-Royce RB211-535C-37 engines operated by DHL’s two major European Airlines, DHL Air and European Air Transport.

Iberia regards the contract as one of its “most important new agreements in recent times — not only because of more than 80 engines involved and minimum 10-year contract term, but because of the prestige of DHL and the potential to further develop the unique relationship that exists between these two global forces in aviation.”

Elsewhere in Spain is the ITP Group, which specialises in the overhaul of regional aircraft engines. Its parent company is Industria de Turbo Propulsores, owned by Sener Aeronáutica (53 per cent) and Rolls-Royce (47 per cent). ITP has a facility at Ajaír, in Madrid, which specialises in the test, repair and overhaul of aeronautical engines. ITP has repaired more than 6,000 engines, including the TFE-331, PT6T, TFE-731, RR200, EJ200, F404, ATAR 8K/8C, T63 and T85. The plant features high-tech engine and accessory testing cells and provides a 24-hour on-going support service. Two of ITP’s four subsidiary companies are based in Bilbao, Spain. Precast Bilbao (PCB) occupies a 20,000m² space which is dedicated to the microfusion of superalloys. Industria de Turbopropulsores (ITA) focuses on the manufacture, supply, installation and commercialisation of pipes and piping for engine accessories, turbines and other aeronautical mechanical systems.

Madrid’s Gestair Maintenance declares itself to be the main maintenance centre in Spain in the executive aviation sector. It is equipped with its own hangar, specialised personnel and avionics laboratory, and performs the maintenance of the Gestair fleet as well as for third parties. The company holds certifications for more than 30 different types of aircraft, including the Cessna Citation and the Dassault Falcon.

Gamaes Aeronáutica is located in Minao, outside Madrid, and specialises in the engineering development, manufacture and assembly of integrated primary structures or integrated aircraft structures. Those assemblies include wings, fuselage sections, vertical and horizontal empennages, and engine nacelles. The engineering, manufacturing and assembly activities not only relate to the elements which constitute each structural assembly, but also corresponding systems integrated in its structures, such as hydraulic, electrical, and fuel systems. Gamaes Aeronáutica is particularly focused on regional and executive transport aircraft. Gamaes Componentes Aeronáuticos, meanwhile, specialises in manufacturing components such as large machined parts, as well as parts and sub-assemblies in composite materials (such as carbon fibre, glass fibre and Kevlar).

Portugal

Next door in Portugal, Lisbon-based TAP Maintenance & Engineering (TAP M&E) is an European MRO giant, having acquired VEM VARIG Engineering & Maintenance in 2006. The company serves parent airline TAP Portugal and third-party customers in roughly an equal amount, with a total revenue in 2006 of €250m. Its portfolio of maintenance services includes: the overhaul of CFM56-3, -5A, -5B, -5C and -7B, JT3, JT9, and RB211 engines; airframe maintenance on the A300-600, A310, A330, A340 and A320 family; 737 and Lockheed L1011 aircraft; component maintenance; material support; and engineering services. TAP M&E is also a member of the Airbus WKO network

TAP’s heavy maintenance capabilities include C and D checks, modifications, structural repairs, age categorisation, wheel refurbishment, and striping and painting. For line and light maintenance, it offers services in pre-flight, transit and daily checks, A and B checks, troubleshooting and malfunction correction, engine trend monitoring, and pre-agreements. Its three hangars can accommodate up to eight narrowbody and three widebody aircraft.

In May, TAP M&E signed an agreement with Snecma Services, enhancing the companies’ cooperation in CFM56 maintenance. This two-year deal covered the repair of high and low
pressure nozzle guide vanes for CFM56-3, -5C, -5B, -7B engines handled by TAP’s maintenance unit, and adds to the several others already in place. One contract of particular importance is for the repair of CFM56-3 HP turbine blades, which was signed two years ago. Jorge Sobral, member of the board of directors of TAP Portugal for maintenance and engineering, said: “We are very satisfied with these new agreements. The improvement of service on the parts repair contracts allows us to add more value and reduce costs for both TAP and our customers. On the other hand, our overhauling for Snecma Services creates a balanced environment for the increasing cooperation between the two companies.” The deal is evidence of the fact that TAP M&E has in recent years successfully shifted from working on JTBDs to the CFM family of engines.

Sobral rejects the idea that the lower labour rates in Portugal compared with other European countries offers TAP M&E a competitive advantage, and instead points to the company’s own strengths. He states: “When you compare Portugal with Germany, France or England, or even Spain, the standard of living is lower in Portugal — that is obvious — but when you speak about TAP versus Iberia, Air France, or Lufthansa, there is not such a difference. It is one thing when you compare the whole country and all the workers in the country, but another when you compare airlines. We believe that we can be competitive out of productivity, cut of bringing the unit costs down, not because salaries are much lower.”

The other big player in Portugal is OGMA — Indústria Aeronáutica de Portugal. It is based in Alverca, approximately 15km north of Lisbon. Carlos Almeida, market strategy director at OGMA, also cites location as a big competitive advantage. He says: “Our base in Portugal gives us plenty of flexibility to position ourselves as the best cost-benefit option in the western Europe market. Besides our cost advantage, the geographical location of Portugal puts us ahead in terms of market accessibility, which enable us to encompass important markets such as Europe and Africa.” But he also recognises some problems that companies in Portugal face. He explains: “Some issues still have to be overcome such as the lack of specialised mechanics in our region and the euro versus dollar exchange rate, which has compromised some of our competitive advantages.” Almeida believes the issue of the lack of mechanics has not been properly faced by the industry, and this provides a major concern for the region.

In 2003, the Portuguese government decided to privatise the company almost in its entirety. The company states that: “At that
time, a major drive was initiated to make the company efficient on a world scale, to expand into even more markets than those already explored. In three years the turnover was doubled and this led, in 2005, to the present position with the government of Portugal retaining one third of the shares and private ownership, predominantly from Embraer and EADS, owning the remaining two thirds of the company share capital.

OGMA essentially works in two different areas. MRO and aerostructures manufacturing. According to Almeida, in order to better serve distinctive markets with different service profiles OGMA’s brand structure consists of three major segments, which are: aviation services (commercial aviation services, defence aviation services, engine services, component services); executive aviation; and aerostructures. He says of the company: “Our main advantages encompass our major shareholders, our technical know-how gained throughout 90 years of existence, a distinctive customer-oriented profile and cost-effective services and solutions that leverage us towards the market.”

Its maintenance facilities cover a total area of 140,000m². OGMA has 11 hangars, with nine narrow-body bays, six engine test cells and eight component workshops. An exclusive hangar is used for executive aviation, a sector in which the company aims to be recognized for specialized fleet management and complex maintenance services (both heavy maintenance and modifications). In the commercial sector, OGMA performs MRO on A320 family aircraft, the Embraer ERJ-145 family, and the Embraer EJets family. OGMA’s stated goal is to position itself on the commercial aviation side as the best cost-benefit MRO provider in western Europe for Embraer jets together with the A320 family. In 1998, it became the first Embraer Authorised Service Center (EASC) in Europe for the ERJ-135/140/145 aircraft, and has now carried out more than 120 C checks on the aircraft family. The A320 capability though is, according to Almeida, “definitely our horsepower to boost further sales and consequently to achieve a sustainable growth”. The company has accumulated experience since 2001, and recently expanded its customer portfolio with the addition of Thomas Cook Airlines. On the engine side, OGMA works on Rolls-Royce, Turbomeca and Honeywell TPE331 engines. These include the Rolls-Royce T-56/501D, AE 2100 series and AE 3007 series. Finally, defence is an extremely important market segment for OGMA, and a further goal is to strengthen its global presence in this sector.

Almeida states that the major challenges currently facing OGMA are threefold, namely the company’s culture development; competitiveness affected by the weak dollar; and market awareness. He says: “All these issues have already been addressed through different front lines. To change the company culture OGMA has structured a detailed programme to prepare and align our top and middle management team, which subsequently will be extrapolated into the whole company through workshops and specific events to really foster the change.” On the competitiveness side, OGMA is implementing a corporate programme focused on lean techniques in a bid to eliminate waste and improve services across the company’s value chain. It has also implemented a complete new business model which Almeida says "will definitely boost our profitability". In terms of market awareness, OGMA has also released a new brand structure.

Conclusion
Putting Spain and Portugal MRNs into a European perspective, they have been and will continue to be put under the same pressures as any other on the continent. Almeida believes the trend of consolidation among independent MRNs will increase. He adds: “On a regional basis, these movements might be affected by a likely privatization of some European flag carriers, which may drive maintenance facilities.” Besides this consolidation, European companies have suffered from the weak dollar. This has pushed MRNs, as in the example of OGMA, to implement new techniques, such as lean initiatives, to stay competitive. Almeida is confident this will bring a brighter future. He concludes: “Despite the tough period that we have been through the future promises a better scenario.” All the other MRO industry companies in Spain and Portugal will be hoping his words ring true.