ANALYSIS: MRO STEPS INTO THE ASIAN LIMELIGHT

News / Maintenance / Trainings

The 2016 edition of the Singapore Airshow was light on aircraft orders, but this allowed the maintenance, repair, and overhaul (MRO) sector sector to steal some of the limelight for a change.

The show saw a substantial number of MRO deals by airlines, along with the announcements about new manufacturing facilities, marking a long-running trend in which the Asia-Pacific plays a key role in the aerospace industry, beyond being a consumer of aircraft.

One landmark deal was GE Aviation’s plan to invest S$110 million ($78.7 million) in its Singapore facility during the next 10 years. The investment will fund several projects including an advanced manufacturing lab and robotics centre.

The company told Flightglobal that it anticipates an upsurge in component MRO work, and that on average it deals with about 1.6 million components annually in the region. This figure is expected to grow in the double-digit percent range by 2026.

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Meanwhile, Singapore Aero Engine Services (SAESL) opened a $150 million engine test facility that will increase its engine overhaul capacity by nearly 30%, from 250 to 320 engines per year.

Singapore Airlines' (SIA) engineering arm formed a joint venture with Airbus for airframe maintenance, as well as cabin upgrades and modifications for a range of long-haul types. The heavy maintenance facility will handle Airbus A380s, A350s and A330s and offer services to carriers across the Asia-Pacific region.

In another major win for Singapore's Seletar Aerospace Park, Pratt & Whitney launched its first manufacturing facility in Singapore to produce fan blades and other key components for its PW1000G geared-turbofan (GTF) engine family. Production of the fan blades will start "in the thousands", with ramp-up set to match the growth of the GTF programme which has accumulated around 7,000 orders and commitments, including options, for engines for more than 70 customers in over 30 countries.

Lower costs in Asia

Shukor Yusof, founder of aviation advisory firm Endau Analytics believes the shift in focus to MRO and manufacturing in Asia is due to the slowing global economy: "The aviation industry has more or less saturated in Europe and North America, but it is still the most cost effective to set up such facilities in this region."

"The Singapore government has pushed long [to establish the country as an aviation hub], and the recent airshow has highlighted that their policies in opening up the market are paying-off," Shukor adds.

MRO industry stalwarts waxed positive on the region's potential as an aerospace/MRO centre.

Speaking at a media briefing, Lufthansa Technik chief executive officer Johannes Bussman labelled Asia as an [MRO] "game changer", as it lays plans to expand its presence here. "Fuel prices may be low, but the markets have become fragmented and are now soft with yields coming down. However, we see the MRO industry continue to grow as more aircraft and engines come online."

Globally, business generated by the MRO industry will grow by 49.7% to $102 billion by 2020. A chief contributor of this growth is expected to come from China, with market volume from the country set to grow by 12% or $7.6 billion to $63.3 billion. This is followed by Southeast Asia where MRO activity will grow 11% or $4 billion to $36.3 billion.

More aircraft = more work

US MRO firm AAR ised the show to state that it wants to grow its international footprint by upping the overseas share of its business to 50% from the current 30%, within the next three years. AAR says its seeking local partners, possibly even a joint venture in the region.

Its president and chief operating officer John Holmes says that the company has targeted Asia as its key region of growth due to the increasing number of in-service aircraft, passengers and maturing aircraft.

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No doubt, market sentiment is running high in the MRO market. Despite newer, efficient technologies aimed at fewer engine shop visits and a longer on-wing time, industry players are confident that the surge in fleet size will still result in more work.

Both Airbus and Boeing anticipate the Asia-Pacific region to continue leading demand for new aircraft over the next 20-years.

In its latest forecasts released at the Singapore Airshow, the European airframer expects the Asia-Pacific fleet to grow from 5,600 today to 14,000. Its American rival forecasts that demand in Southeast Asia will be for 3,750 new passenger jets.

Shukor, however, warns that the industry must manage its expectations in MRO growth: “It’s a service sector, which means it is also labour intensive, and the industry has proven that the returns are not as good as with aircraft leasing. But we can’t ignore the fact that Asia has an ever-improving standard of infrastructure and training.”

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