The Associated Press State & Local Wire
June 29, 2009 Monday 11:56 PM GMT

DOJ opposes antitrust immunity for Continental
BYLINE: By DAVID KOENIG, AP Airlines Writer

The Justice Department opposes Continental Airlines Inc.'s broad request for antitrust immunity to work more closely with **United Airlines** and other carriers in setting prices and schedules for international service.

The department says the airlines should get more limited immunity. It argues that broader immunity could hurt competition on other routes between the U.S. and China and raise fares within the United States.

Continental, the nation's fourth-largest airline, wants antitrust immunity to cooperate with United and other Star Alliance airlines, including US Airways, Lufthansa and Air Canada.

The Justice Department noted that Continental and United also plan to sell seats on each othe r's U.S. flights, combine customer lounges, consolidate operations at airports served by both, and work together on procurement. Such an arrangement would go beyond normal "code-sharing" deals that involve reciprocal sales and mileage programs.

The DOJ said it could closely resemble a merger, although the department said the two airlines "assert that they will maintain their separate domestic networks and make independent pricing, scheduling and sales" decisions in the U.S. Continental and United discussed a merger early last year, but Continental broke off the talks when United's financial health deteriorated rapidly.

The final decision on Continental's request for immunity to join United's alliance of other airlines rests with the Transportation Department. However, antitrust experts said the Justice Department's stance, disclosed in a regulatory filing late Friday, raised the chances that Continental won't get everything it wanted.

The Transportation Department gave preliminary approval to the request several 20 weeks ago, but soon after that the Justice Department signaled that it wanted a chance to study the proposal.

Continental spokesman Dave Messing said the airline is still confident that the Transportation Department will approve its request. Messing said Continental needs the approval to compete fairly with airlines that already have antitrust immunity.

"In this economic crisis, it is more important than ever for the U.S. government not to hamper our industry's and company's efforts to remain competitive and serve our consumers and communities," he said.

The Justice Department said the benefits that Continental claimed from antitrust immunity could be achieved without immunity. It cautioned that immunity for Continental and United, the No. 3 U.S. carrier, to work more closely could hurt competition on U.S.-Beijing routes and "raises significant concerns" about hurting competition within the United States.

The department also said letting Continental cooperate with Air Canada and European SkyTeam members could leave consumers with fewer choices and higher fares on travel between the U.S. and Canada and on some routes to Europe, including New York-Geneva and Chicago-Frankfurt.

Robert Doyle, an antitrust attorney in Washington, said the DOJ's concerns were not surprising, given the broad sweep of Continental's immunity request. Even though the final decision rests with the Transportation Department, he said Attorney General Eric Holder "has a lot of weight" to influence the outcome.

"It seems reasonable for DOJ to say (the Continental request) is too broad," Doyle said. "It's open-ended immunity for any deal they decide to do. We don't know what deals or acquisitions or affiliations they are considering."

The Justice Department's opposition to immunity for Continental could affect AMR Corp.'s American Airlines, which wants immunity to work closely with British Airways and Spain's Iberia on trans-Atlantic routes. American, BA and Iberia belong to an alliance called oneworld.

American still expects to win immunity from the Transportation Department by the end of

October, said spokesman Andrew Backover.

"The sooner that our application is approved, the quicker it will lead to healthier and more robust competition by allowing oneworld to compete on the same playing field" against two other alliances that already have immunity, Backover said.

SkyTeam, including Delta and Air France, already has antitrust immunity on trans-Atlantic routes, as do Star Alliance members other than Continental.

Houston-based Continental expects to leave SkyTeam on Oct. 24 and join Star quickly.

Continental shares rose 8 cents to close at $8.86 in trading Monday.

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Los Angeles Business.com

June 26, 2009 Friday 4:02 PM PST

United plans $175M bond sale to improve liquidity

After raising more than $1 billion during the past year, **United Airlines** plans to raise another $175 million by selling bonds backed by aircraft parts.

United stated in a Friday regulatory filing that the notes were due in July of 2012.

Like many other airlines, United is scrambling to prepare from the fallout of the decline in travel due to the recession. In the filing , United stated that its current plans to address how it's being impacted by the recession may not be successful in improving its results of operations and liquidity. However, United said it believes it has sufficient liquidity to fund its operations for the remainder of 2009.

United, the largest carrier at Los Angeles International Airport, has ra ised money the past year by mortgaging aircraft, engines, pats and future frequent-flyer miles.

United Airlines is a unit of Chicago-based UAL Corp.

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The Indianapolis Star (Indiana)

June 28, 2009 Sunday

Republic's new f light plan

BYLINE: Ted Evanoff

Republic Airways Holdings long has been the stable airline in an industry notorious for instability and bankruptcy.

But the same recession that slammed the big carriers now has Indianapolis- based Republic Airways joining the risky ranks of the main stem lines as it moves ahead with deals to buy airlines in Denver and Milwaukee.

Operating 1,200 daily flights, Republic Airways has been the low-cost partner collecting a fixed fee for flying the feeder routes to the hubs for the big carriers who pa id all the fuel bills and worried about what the rivals were doing.

Now, Republic must show its aviation mettle, outdueling established carriers, and still serve clients of its feeder business, some of whom compete with the lines Republic is taking over.

Republic dipped into its hefty cash stockpile this week and bought Midwest, the No. 1 carrier in Milwaukee, and placed an offer for Frontier, the No. 2 passenger hauler in Denver.

Analysts say the pressure could be immediate in Milwaukee, where crippled Midwest is under assault by two of the best discount airlines in the business, AirTran and Southwest.

"They could indeed get squeezed out of the market," aviation analyst Martin Copeland said of Midwest.

AirTran flies nonstop to 17 of the 20 most popular destinations for Milwaukee travelers, while low-fare king Southwest is getting ready to enter the market in November with flights to five of those destinations.

Frontier plans a fourth Denver- Milwaukee flight Wednesday, but AirTran executive Kevin Healy shrugged off the Midwest takeover as of little concern.

"It'll be interesting competing with Southwest in a market where we have been established for six or seven years."

Growing pains

Republic Airways has never run a full-service line like Midwest or Frontier.

While the Indianapolis company employs 4,400 workers nationwide and operates 215 airliners, Republic relies on mainstream client s for a host of basic aviation services such as reservations and baggage handling. Operating its own craft painted in the colors of the clients, Republic's secret was the adept matching of its low-cost fleet of Brazilian-made Embraer airliners to the routes. The modern regional jets generally come in three sizes: about 90, 70 or 50 seats.

While a major carrier's 120-seat Boeing might leave Indianapolis half-filled on its way to a hub such as Cincinnati, and lose money doing so, the same route can be served profitably by a 70-seat regional jet.

For a decade, this arrangement fueled Republic and contributed to its $118 million cash balance.

Taking over Midwest and Frontier would absorb about $68 million once the deals are completed, reports airline analyst James Parker of investment firm Raymond James in St. Petersburg, Fla.

Republic offered=0 A $108.5 million for Frontier but would recover $40 million in loans and $13 million in payments as an unsecured creditor.

In the Milwaukee venture, Republic offered Midwest owner TPG Capital $6 million and a $25 million loan convertible to Republic stock at $10 a share.

Investors lapped up the deals. On Friday, Republic's stock closed at $6.81 a share, up 94 cents for the day and well above a 52-week low of $4.10 reached Monday.

But some analysts downplayed the moves by Republic as risky strategy.

"Air Tran and Southwest will put a lot of pressure on them. Those are pretty tough competitors," said Copeland, an aviation analyst for Washington-based InterVistas. Parker also expressed caution, saying: "This play call equates to a Hail Mary pass in the midst of a blizzard."

New strategy

But Republic had little choice, said Helane Becker, airline analyst at Jessup & Lamont Securities in New York. The industry's consolidation -- evident in the Delta-Northwest merger -- could accelerate and strip away demand for Republic's feeder services.

"They discovered the same thing a lot of other people have discovered," Becker said. "The business plan they have does not make sense anymore."

Republic's feeder business in particular relies on carriers maintaining service. But Frontier scaled down and forced 17 Republic planes out of service, Parker says.

Republic's response: Play "offense and defense," said Bryan Bedford, Republic chairman. "We've signed on to buy two quality brands that can operate profitably, and yet we're maintaining the core business we cur rently enjoy."

Midwest, which has nine planes now, down from about 40 two years ago, will be Midwest mostly in brand name only. The Milwaukee line will use Republic air crews and replace Boeing jets with 90-seat Embraers.

Midwest will restore some of the feeder routes, a move that will make wider use of Republic's craft and give the Milwaukee line more heft to take on AirTran and Southwest.

Uncharted future

Just how Frontier and Midwest might mesh services isn't known.

Because the Frontier offer amounts to a bid set to go into a bankruptcy auction later this summer, Republic could be outbid by another suitor. Although no one else has stepped forward to propose an offer for Frontier, Bedford has declined to discuss the strategy contemplated for the Denver company until the auction is completed.

USAirways, which merged in 2006 with America West, is Republic's largest client, followed by United, the No. 1 carrier in Denver.

Analysts suggest United could cut back on Republic's feeder service as competition mounts with Frontier.

Bedford, however, expressed confidence that the Frontier deal won't ultimately blow back on Republic.

"Frontier would emerge from bankruptcy with or without Republic," Bedford said.

The Indianapolis company several years ago had 235 Embraers in service, the most aircraft it ever has flown and nearly 20 percent more than today. Bedford insisted Republic someday will surpass that number.

"In 2008 we managed to grow our earnings, and 2009 is going to be a down year for business in general -- although I think Republic will continue to perform ahead of its peer group," Bedford said. "We were one of about five profitable airlines in North America in 2008. I think that will be the same in 2009."

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Milwaukee Journal Sentinel (Wisconsin)
June 29, 2009 Monday

Frontier, Midwest to share booking <|> Agreement makes it easier to book multiple flights

BYLINE: TOM DAYKIN, Staff, Milwaukee Journal Sentinel

Midwest Airlines Inc. and Frontier Airlines Corp. are announcing a new code share agreement Monday, an arrangement that will allow passengers flying from Milwaukee to book Midwest trips to Denver and then book connecting Frontier flights to destinations in the Rocky Mountain region on one ticket.

The code share routes , in which Midwest and Frontier sell seats on each other's flights, begin Aug. 30. Initial destinations offered through Frontier flights connecting from Denver International Airport include Aspen and Colorado Springs, Colo.; Boise, Idaho; Billings and Bozeman, Mont.; and Rapid City, S.D.

More code share destinations are likely to be added, said Greg Aretakis, Midwest's vice president of planning and revenue management.

The new marketing relationship between Midwest and Frontier will include a reciprocal frequent flier agreement. That agreement, which is expected to begin in the third quarter, will allow members of the Midwest Miles and Frontier Early Returns frequent flier programs to earn and redeem miles on either airline, Aretakis said.

For Frontier fliers, the main use of the new code share will likely be for flying from Denver to Milwaukee and then booking Midwest flights to business destinations in the Ohio Valley and on the East Coast, he said.

For passengers, code share agreements are attractive because it's easier to book multiple flights through one airline.

For Midwest, the new arrangement will help market the Oak Creek-based airline in Denver, Aretakis said. It also will give current Midwest customers another reason to stick with the airline, he said.

The new agreement is being announced just one week after Indianapolis-based Republic Airways Holdings Inc. announced plans to buy both Frontier and Midwest and operate them as separate carriers.

Republic's main business has been to fly regional routes for large carriers, such as **United Airlines** Inc. and Delta Air Lines Inc.

Republic Chief Executive Officer Bryan Bedford said buying Midwest and Frontier will create more risk for Republic. But the acquisitions will diversify Republic's revenue base at a time when large carriers are consolidating and cutting routes, Bedford said.

Aretakis said Midwest and Frontier executives had been negotiating the code share and frequent flier agreements "long before" Republic decided to make a bid for Frontier.

Midwest already has code share agreements with Delta and Northwest Airlines, which was bought by Delta last year and is being integrated with the larger airline.

The Delta agreement applies to routes flown from its hub in Atlanta to destinations in Florida: Jacksonville, Fort Lauderdale, Tampa, Orlando and Fort Myers.

The Northwest agreement applies to routes flown from hubs in Minnea polis, Detroit and Memphis, Tenn. But those routes will be switched over to Delta operations under the merger.

Members of Midwest Miles can earn and use their rewards on flights operated by Delta and Northwest Airlines.

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The Business Insider
June 29, 2009 Monday 7:29 AM EST

Re-Regulating The Airlines Won't Make Us Safer
BYLINE: Joe Weisenthal

Jun. 29, 2009 (The Business Insider delivered by Newstex) --
An idea that seems to be gaining currency, politically, is for the airline to go back to an old-style regulatory regime of less competition and more stable profits.

The endless boom-and-bust cycle of the industry has always made some wonder whether cutthroat fare competition really makes sense, and the recent spate of airline safety woes has given more ammo to the side which says the industry is out of control and needs more top-down structure.
Consumers don't really mind the booms, busts and bankruptcies. So long as they can get cheap tickets to wherever they want to go, they're happy.
Safety issues, however, have real resonance with the public, and so proponents of re-regulation are really latching onto the safety angle.
Gary Leff -- an airline industry brainiac, who you might think of as the Nate Silver of his domain -- points to a new study from NYC think tank Demos, arguing for new regulation on safety grounds.
In "Flying Blind: Airline Deregulation Reconsidered", a wide-ranging new Demos report on the industry, co-authors James Lardner and Robert Kuttner point to preliminary findings in the Buffalo investigation that the pilot and co-pilot lacked crucial experience and training, and oedown time between flights. Since the crash, critics have raised questions about the little-known regional airlines that now handle a growing proportion of domestic flights, effectively acting as subcontractors to the big brand-name airlines. The major carriers have been widely faulted for farming out more and more flights to these smaller companies, which, in many cases, appear to have significantly less rigorous hiring and training standards.
The authors highlight that regional carriers now account for roughly 35 percent of all flight-hours, more than double the 16 percent share that these companies held at the beginning of the decade. At that time, the report shows, two-thirds of all heavy aircraft maintenance was performed in-house, while today more than 70 percent of the work is outsourced, leaving federal inspectors scrambling to keep up with nearly 5,000 repair facilities in the U.S. and abroad.
Certainly the Buffalo crash alarmed many about the issue of training, and whether the prevalence of these "little-known regional airlines" were in fact making the industry less safe. Perhaps from a safety perspective, going back to the days of only big carriers, with limited competition on prices and routes, might make sense.
But Leff demolishes this idea in a post at his blog View From The Wing. The whole thing is worth reading, but here are a few of the main points:
Safety regulation hasn't changed. Deregulating the industry only applied to fares and routes, and the government remains highly engaged. It's hardly an old-west free for all, as some might claim.
The industry has gotten much safer over the years. Says Leff: " In 1977, the year before airline deregulation, there were 6.2 accidents and 195.1 fatalities per million departures. In 2004 (chosen as the most recent year from the first data source I pulled up on Google (NASDAQ:GOOG)), there were 0.9 accidents and 23.29 fatalities per million departures."
Eliminating regional carriers wouldn't solve the pilot training program. You'd just have those same rookie pilots working for majors instead. In other words the demand mix would change, but not the supply. (This is a key point). The wars in Iraq and Afghanistan have contributed to pilot shortage, as the military has been offering much higher-than-normal retention bonuses to pilots. It's a challenge for the industry, but it has nothing to do with deregulation.
Leff goes onto pick apart the real motivations behind the study, which is to re-establish an environment for a more unionized workforce. Robert Kuttner is a well-respected liberal writer and economist and author of Everything For Sale: The Virtues And Limits of Markets, which 20generally seeks to cast doubt on the wisdom of free markets, so taking up airline safety as a reason to re-regulate is a natural angle for him.
One potential critique of Leff is that he downplays technology gains since 1977, though he does acknowledge them, as being the major contributor to improved safety. But there's no reason to

separate technology out from other changes in the industry. All it shows is that even with the razor-thin margins and boom-bust cycles, the industry has continually invested in new, advanced technology to make crashes more rare. Now if there were clearly better technology on the market, and our airlines could never afford to invest in them, that'd be an issue, but it doesn't appear to be the case.

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Overhaul & Maintenance
June 1, 2009
ToP 10 AirframeMRO Providers
BYLINE: By Elyse Moody

By Elyse Moody

Singapore Technologies Aerospace again sits atop our charts with more than eight million man-hours amassed in 2008, but O&M's biennial survey of the airframe MRO market reveals burgeoning competition in the lower ranks and changes in the middle ground. Data points to a shift among top players and illustrates the impact of the down economy on business. Companies interviewed by O&M cited negative market conditions ranging from parked aircraft to loss of major customers and shut downs of m ajor facilities. Rimsky Buitrago, CEO of Costa Rican MRO Coopesa, put it simply: «Fewer aircraft mean fewer man-hours.» Reduced capacity affected many of the dozens of firms O&M queried.

However, the global industry has held its own amid spin-offs, mergers and competition from new parts of the world since our 2007 survey, not to mention the worst economic recession in recent history. To ward off the negative factors, the airline-affiliated and independent MROs surveyed by O&M for this year's ranking have concentrated their efforts on adding capabilities to service newer generation aircraft, such as the Airbus A380. Several MROs in Asia-Pacific, Latin America and the Middle East revealed plans to add maintenance capability for the Boeing 777 and A330 family, as well as CF6 and CFM56 engine services. They've also partnered with companies in different world regions to carry out work, and developed opportunities to offer fleet, technical and other «back shop» management services.

As in years past, we aim to show which companies are the largest competitors in the worldwide commercial airframe MRO market based on man-hours of20work performed. Our sixth survey offers updated statistics in the categories O&M has included in our past five surveys. The chart on p. 35 disregards work for parent airlines, ranking companies based solely on airframe maintenance work for third-party customers. On p. 36, our second chart takes work for parent airlines into account, showing the total number of man-hours per corporate entity.

In each of the charts, wholly owned subsidiaries and operating units are included in their parent companies' figures. (Exceptions are noted at the foot of the table.) We chose to roll up the data this way because of one overarching factor: globalization. With today's focus on worldwide support and a seamless supply chain, it makes sense to group businesses together--that's how they're behaving and competing on the world stage. For more on our methodology, please see the sidebar on p. 35.

This year, we've also added a new feature to our survey that aims to put the usual airframe maintenance data into a larger financial context. This seems germane as companies reassess bottom lines and look for new ways to serve customers efficiently around the world. The bottom table on p. 36 ranks the Top 10 companies by 2008 revenue. Please note that these figures encompass a range of maintenance services and could include those for military and business aviation aircraft. In addition to giving us another fascinating way to slice and dice the data, we hope adding this financial feature enhances the usefulness of our survey as you watch the industry evolve over the next two years.

It also demonstrates that if we ranked MROs by revenue, the order of our consistently top two MROs, ST Aerospace and **Lufthansa Technik,** would flip. Airframe maintenance, which typically takes more man-hours but generates less revenue than engine and component work, accounted for 50% of ST Aerospace's 2008 revenue, while component and engine maintenance represented 41%. Commercial base maintenance only accounted for 11.5% of the **Lufthansa Technik** Group's [#x20ac]5.5 billion revenue in 2008.. ST Aerospace signed strategic agreements with both GE Aviation and CFM International last year, as well as service agreements with Honeywell and Howell Instrument, so expect engine and component revenue to increase.

Despite a sluggish year, **Lufthansa Technik** increased its sales revenue by 4.1%. «Business with Lufthansa Group companies grew by 8.3%, which is far more than with customers from outside the group (1.4%),» said August Henningsen, LHT's chairman. However, the MRO added 37 customers to its base of 668 in 2008, and new services such as aircraft leasing and trading support. It also launched joint venture LTQ Engineering with Qantas and opened **Lufthansa Technik** Sofia, which overhauls short- and medium-range aircraft, so its global depth and breadth continues to expand.

Changing Landscape

So, what's new since 2007? Spin-offs and closures driven in part by the economy have changed the aviation maintenance landscape. Taurus Aviation Group's Aviation Technical Services (ATS) was known as Goodrich ATS before Macquarie Group acquired it in=2 0the fall of 2007, and Aveos Fleet Performance is the new name of former Air Canada Technical Services. Since our last survey, PEMCO Aviation Group split into two new entities: Alabama Aircraft Industries, Inc., focused on military aircraft maintenance and KC-135 programmed depot maintenance in particular (O&M, January 2009, p. 49), and PEMCO World Air Services, which continues to service commercial aircraft. SR Technics closed its Dublin facility in March. (That facility's man-hours factor in here, because it was operational for all of 2008.)

Mergers and acquisitions also have changed the shape of several companies. The big continue to get bigger. Recent changes in the ownership of SR Technics make a good example. Mubadala Development Co., which is wholly owned by the government of Abu Dhabi, now holds a 70% stake in SRT after buying out partner Istithmar. Dubai Aerospace Enterprise retains its 30% interest in the MRO. In 2006, a consortium of Mubadala/DAE/Istithmar bought SRT. Mubadala also owns Abu Dhabi Aircraft Technologies (ADAT). AAR Corp., which grew its business by more than 1.3 million man-hours since our last survey, acquired Avborne Maintenance in Miami last March; it's now known as AAR Aircraft Services - Miami. The facility contributed 849,578 airframe maintenance man-hours in 2008, representing about 25% of AAR's total. In Asia-Pacific, Japan Airlines (JAL) has announced plans to merge its four maintenance companies into a single company this October.

The addition of new capabilities and hangars was a common refrain in MROs' responses to this year's survey, particularly for the Boeing 777 and Airbus A330 family, as well as the A380. For example, Ameco Beijing opened its A380 hangar last July, making more space available for other heavy maintenance activity; it completed its 50th United Airlines 777 heavy maintenance check in May, and plans to service three more of the aircraft before year end.

Growth also continues at Guangzhou Aircraft Maintenance Engineering Co. Ltd. (GAMECO), which plans to add a second hangar in Guangzhou soon. HAECO recently added its third hangar in Hong Kong and subsidiary TAECO unveiled a sixth hangar in Xiamen. HAECO also has formed several new joint ventures in China: Taikoo Sichuan Aircraft Engineering Services Co., Taikoo (Xiamen) Landing Gear Services Co. (TALSCO), Taikoo Spirit Aerosystems (Jinjiang) Composite Co. Ltd., and Taikoo Engine Services (Xiamen) Ltd. (TEXL).

SIA Engineering Co. offers fleet management services for the Airbus A320 family and A330, and Boeing 747 and 777; it has base maintenance capabilities for the Boeing 747 and 777 and Airbus A300-600, A310, A320 family, A330, A340, A380. JAL expects to grow its line maintenance services business at Haneda and Narita in 2010, due to new landing slots at both airports.

In the Americas, Aveos is adding 777 capabilities as well. Coopesa and TAP Maintenance & Engineering's Brazil site (formerly VEM Engineering & Maintenance) cite opportunities for Airbus widebody heavy maintenance, and Mexicana MRO Services is expanding its overhaul capabilities at its new base in Guadalajara. As many U.S. airlines continue to contract out maintenance, airline-affiliated MROs aim to grow their third-party maintenance to compete with major players for business in burgeoning markets, such as Latin America.

«Central America is becoming an important MRO cluster for U.S. customers,» Coopesa's Buitrago noted.

The Middle East is another ripe area for growth, according to MROs' responses. Turkish Technic, with 1.06 million airframe maintenance man-hours in 2008, reported a focus on building its in-house capabilities. ADAT grew from 1.70 million man-hours in 2006, to 2.018 million in 2008. The Mubadala -owned MRO also received a boost last July when GE signed an agreement with its parent company to expand its engine overhaul and repair business (O&M, January 2009, p. 24). Israel Aerospace Industries added the A340 to its portfolio of aircraft, and it plans to add the A330 and Boeing 777 this year or next, as well as the CFM56-3 and CFM56-7. IAI representative Hadassah Paz notes that 2008 was a relatively successful year, «despite the economic turmoil and the corresponding decrease in world passenger and freighter aircraft activity.»

When they're not adding in-house capabilities, several MROs reported forming partnerships with firms in other regions to offer more competitive costs and convenience to customers. TIMCO Aviation Services and Coopesa formed a partnership in 2008, and PEMCO World Air Services President Kevin Casey says his company maintains a partnership with TAECO20and STAECO for cargo conversions, with 16 projects complete already.

Contract maintenance has swelled since our last survey, and the industry is seeing outsourcing in new areas. MROs are taking advantage of opportunities to offer cash-strapped airlines ways to save money: fleet management programs, technical operations management support, and other «back shop» management services. The HAECO group says it sees cabin management, inventory technical management and fleet technical support services as growth opportunities. Also in Asia-Pacific, SIAEC completed its first VIP aircraft reconfiguration this year, and it expects to grow its fleet management program, currently responsible for 79 aircraft owned by nine customers, 150% by 2013.

TIMCO EVP and Chief Marketing Officer Gene House says base maintenance is his company's central area, but notes that it sees opportunities in service bulletin review, job cards, records, document management, maintenance programming and scheduling. «Some operators may find it difficult to consider the subcontracting of these services, but we believe economics and operational integrity values will cause the trend to accelerate,» he said.

And, Lean improvements remain a popular way to increase efficiency and add capacity without physical expansions. Jeff Salee, marketing manager for ATS, described the long-term benefits for his company, which launched its Lean initiative a decade ago. «You'd think that after that long the program would be stale or lacking in achievements,» he said, «but we continue to see significant improvements.» The majority of companies surveyed pointed to Lean or other process efficiency initiatives as examples of internal improvement; several also noted implementing new IT systems for maintenance management--Mexicana MRO Services deployed Oracle's cMRO and E-Business Suite, for example.

Silver Lining

As you can see, all news is not negative. Many diverse businesses continue to view aircraft maintenance as a growing and contributing part of their portfolio of services, particularly as they grow their third-party offerings. And, as TIMCO's House points out, the economy has given MROs the impetus to grow=0 A their business in different directions and provide new services to customers.

Using the present to prepare for the future, when the industry rebounds, has been a recurring theme through 2008 and into the first half of 2009. Delta Air Lines President Richard Anderson honed in on the value of MRO at this year's MRO Americas Conference in Dallas, assuring attendees that TechOps is not up for sale and saying that the company aims to double its business over the next three to five years.

While this survey only assesses airframe maintenance man-hours, many companies queried said they plan to add engine and component maintenance capabilities. TechOps is a good example, since it only carries out airframe work for customers whose aircraft are already in its hangars for other work. China Airlines also reported it is focusing on CF6 and CFM56 overhauls and adding a new 120,000 lb. thrust test cell. TAP M&E noted that its Lisbon base is a CFM56 center of excellence, and said it sees opportunities for Pratt & Whitney Canada turboprop engine overhauls in Brazil.

This year's survey reveals resourcefulness on the part of MRO players big and small. Driven by the economy and increasing competition, 2008 has pushed the industry at large to really focus on customers' needs. MRO providers today aim to offer innovative, flexible support options, which should see their businesses, maintenance man-hours and revenues flourish as the economy rebounds. ?

2008 Total Airframe Man-hours By Corporate Entities*

(Subsidiaries included if they are majority owned/operated)

1.	Singapore Technologies Aerospace	8.50 million
2.	**Lufthansa Technik** AG**	5.40 million
3.	HAECO/TAECO/STAECO	5.36 million
4.	SIA Engineering Co.	4.80 million
5.	Israel Aerospace Industries/Bedek Aviation Group***	3.70 million
5.	TIMCO Aviation Services	3.70 million =0 A
7.	AAR Corp.	3.33 million
8.	Aveos Fleet Performance****	3.15 million
9.	Aviation Technical Services	2.60 million
10.	SR Technics	2.51 million
Almost in the Top 10?		
11.	Abu Dhabi Aircraft Technologies	2.02 million
12.	Sabena technics	1.50 million
13.	TAP Maintenance & Engineering	1.47 million
14.	PEMCO World Air Services	1.40 million
15.	Japan Airlines	1.38 million

*Air France Industries/KLM E&M declined to submit figures **Includes LHT subsidiaries, except Ameco Beijing ***?Includes= Empire Aero Center ****?Includes Aeroman

2008 Third-party Airframe Man-hours By Corporate Entities

(Subsidiaries included if they are majority owned/operated; excludes sister airline work)

1.	Singapore Technologies Aerospace	8.50 million
2.	HAECO/TAECO/STAECO	5.36 million
3.	Israel Aerospace Industries/Bedek Aviation Group*	3.70 million
3.	TIMCO Aviation Services	3.70 million
5.	**Lufthansa Technik** AG**	3.40 million
6.	AAR Corp.	3.33 million
7.	Aveos Fleet Performance***	3.15 million

8.	Aviation Technical Services	2.60 million
9.	SR Technics	2.51 million
10.	SIA Engineering Co.	2.45 million
Almost in the Top 10?		
11.	Abu Dhabi Aircraft Technologies	