



April 28, 2003  
Douglas Anweiler, Vice President  
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Regional Valuation Symposium

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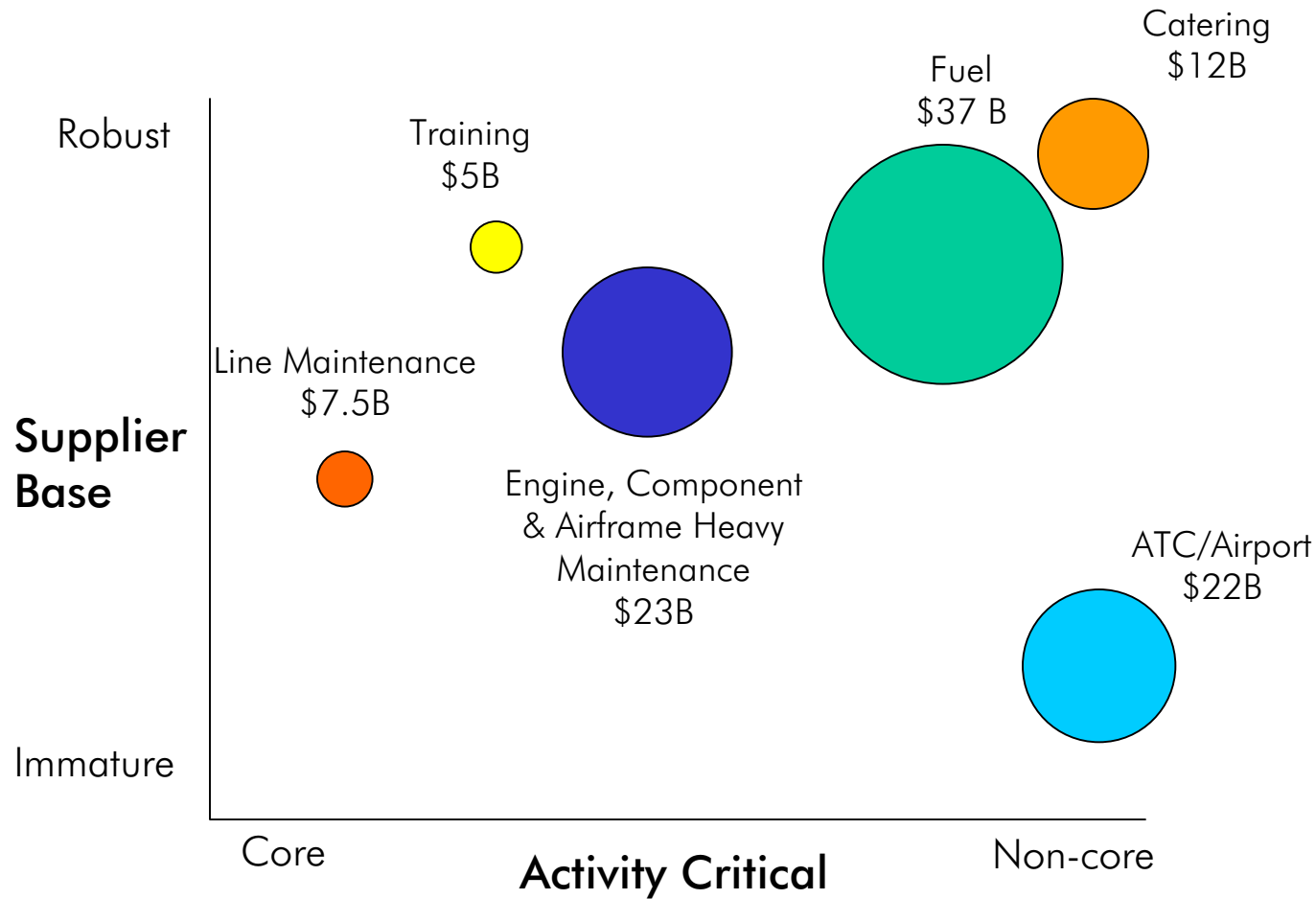
2003 Annual Maintenance  
Industry Survey  
Outsourcing Trends: The  
Changing Role of Contract  
Maintenance Providers

# Presentation Overview

- Outsourcing in the aviation industry and the services offered by contract maintenance providers
- The survey says ... Reliance Aerotech's survey of North American maintenance managers regarding contract maintenance providers and their services
- Exceeding expectations – next steps in the evolution of contract maintenance providers
- Summary

# Airline Operations Unbundling

## A Robust Outsourcing Market



# Outsourced Contract Maintenance Market

## A Traditional Role

- Traditional contract maintenance providers supply technically competent personnel to support a broad range of needs including:
  - > Fill short-term projects
  - > Import Talent
  - > Create a mobile work force
  - > Manage an unpredictable work load
  - > Fill Gaps
  - > Prevent “bad” hires
  - > Fill in for absent employees

# Outsourced Contract Maintenance Market

## A Solution Provider Role

- Today's contract maintenance providers increasingly function as solution providers – working as a partner with customers to achieve on-time performance, quality and cost competitiveness
- Focus is on adding value to customers
- With maintenance costs typically representing 10-12% of an airline's operating costs, and labor representing approximately 70% of heavy maintenance expenditures, the performance of technical personnel has a direct impact on an airlines' bottom line

# Reliance Contract Maintenance Survey

## Survey Background

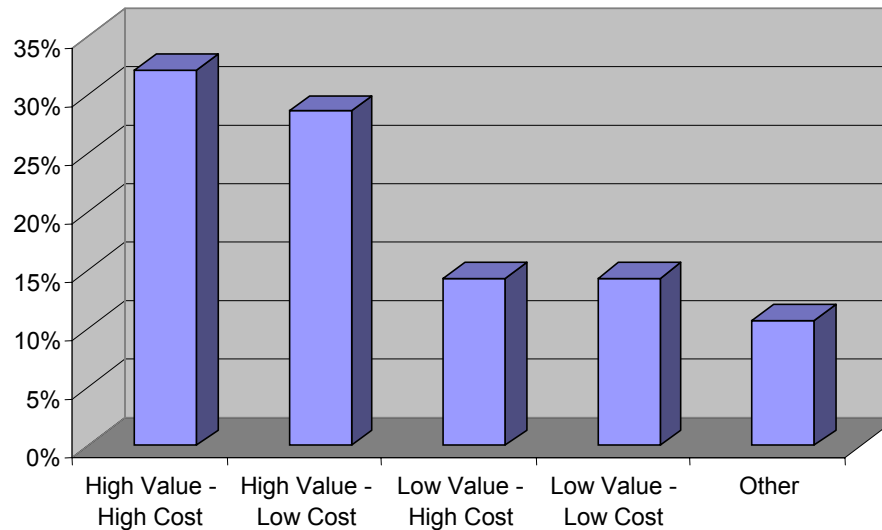
- Reliance Aerotech surveyed 153 maintenance managers in the Airline, Repair Station, Government and Corporate Flight Department sectors in February 2002.
- 33 Managers responded, representing a response rate of 22%
- 28 respondents had used contract maintenance personnel in the past
- All results valid with a 95% confidence level

# Reliance Contract Maintenance Survey

## General Views on Contract Maintenance Personnel

- 64% of respondents believe that contract maintenance personnel are highly valuable...

**General Categorization**

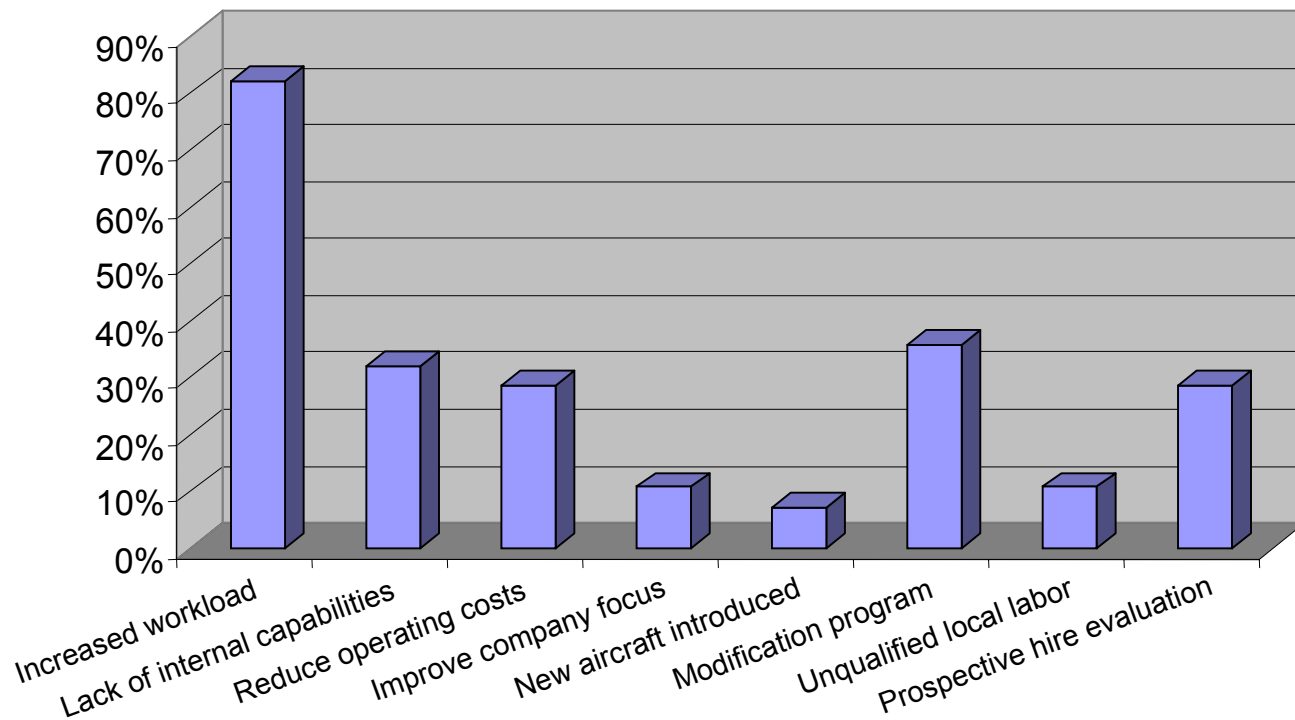


- Respondents were split regarding perceived cost

# Reliance Contract Maintenance Survey

## Workload The Primary Driver for Outsourced Personnel

### Why Contract Maintenance is Employed

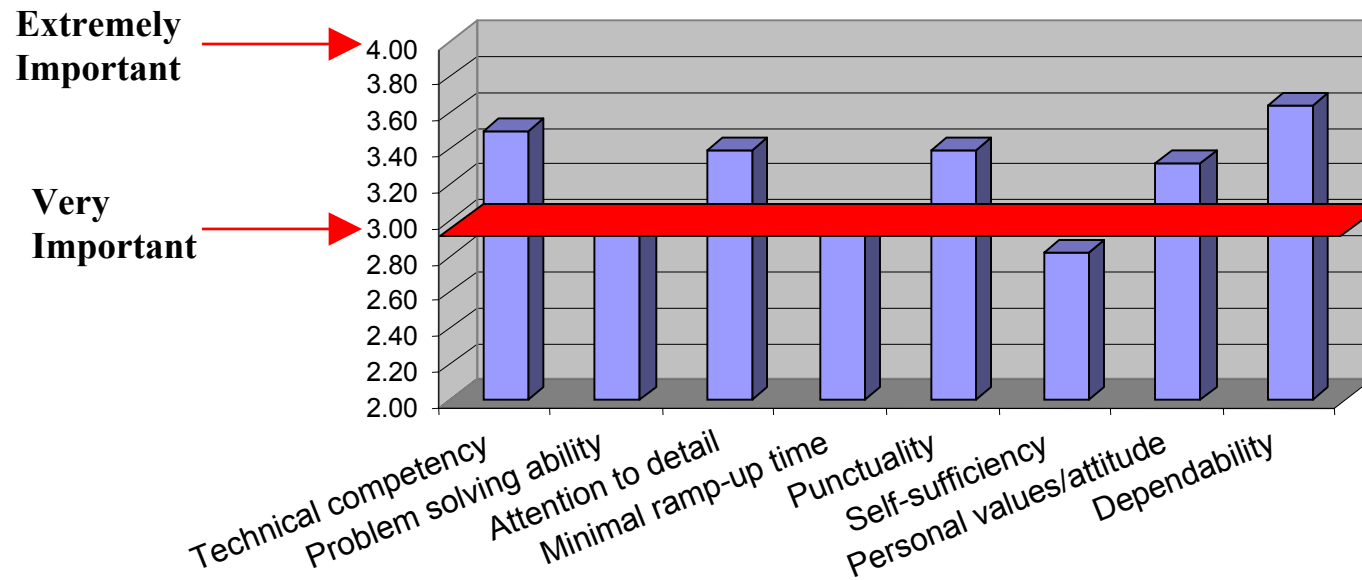




# Reliance Contract Maintenance Survey

## "Warm Bodies" Not Enough in Demanding Environment

### Key Success Factors in Contract Maintenance Personnel

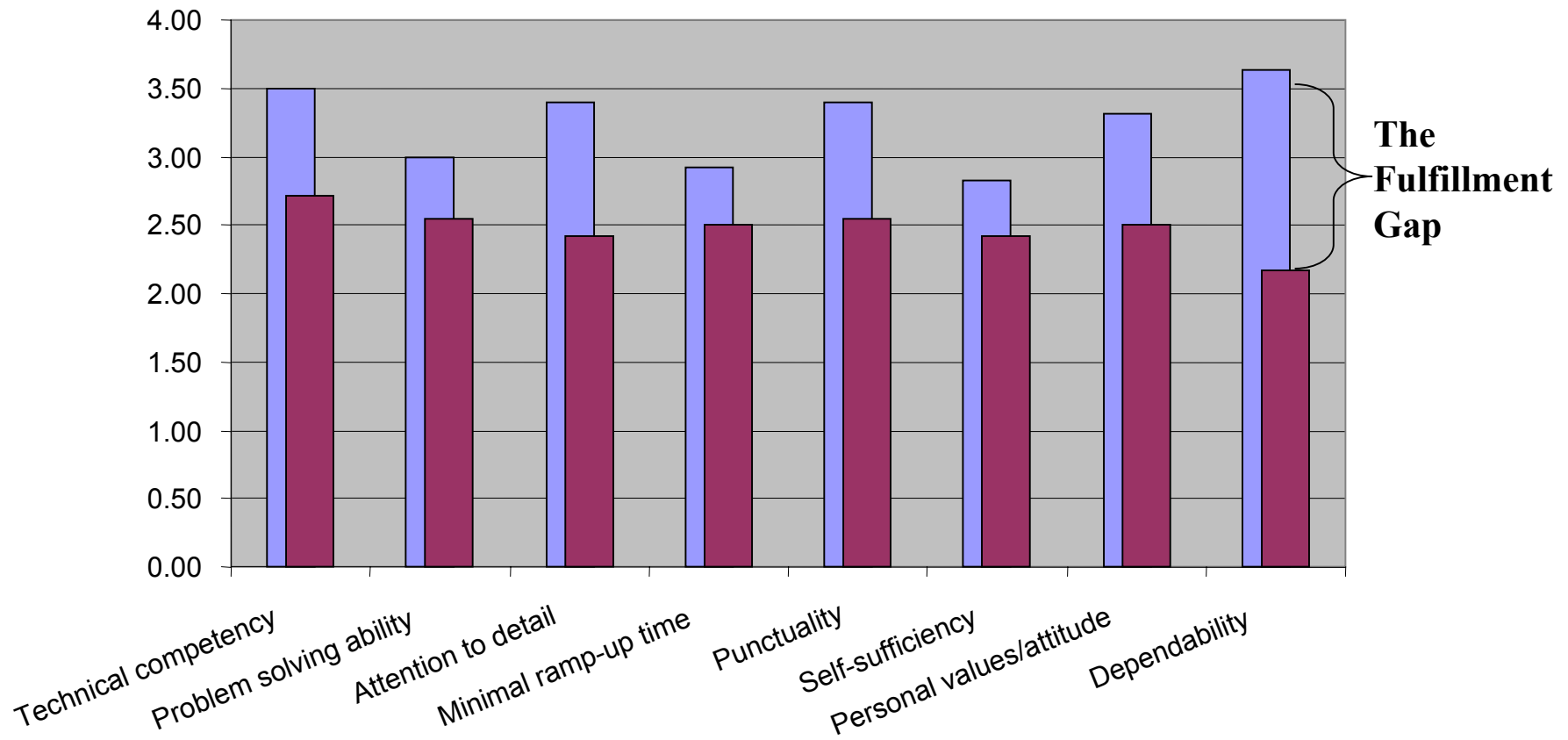


- Customers are demanding a total package to achieve performance

# Reliance Contract Maintenance Survey

## "Warm Bodies" Not Enough in Demanding Environment

### Expectation Fulfillment



# 2004 Reliance Maintenance Industry Survey

## Confirming The Fulfillment Gap

- Hourly Rate is not the most important factor

Ranking	Criterion
1	Aviation Experience
2	Customer Service
3	Hourly Rate
4	Insurance Coverage
5	Strength of Management Team
6	Administrative Ease of Hire
7	Prior Relationship
8	Brand Name or Reputation
9	Physical Proximity to HQ

# Driving Towards New Models

## The Fulfillment Gap Needs to be Closed

- Many conventional contract maintenance providers have developed a reputation as “body shops”
- Quality has been limited by a dependence reliance on informal networks, business processes and immature information systems

# Driving Towards New Models

## The Fulfillment Gap Needs to be Closed

- Leading contract maintenance provider leaders will add value by:
  - > Aligning their strategies to customer's business objectives
  - > Creating personnel plans that coincide with operational needs
  - > Utilizing web-based recruitment and screening to ensure personnel combine technical competency with excellent values
  - > Developing long-term partnerships focused on creating value
  - > Maintaining a total commitment to customer service
  - > Developing knowledge-based processes to achieve continuous improvement of service

# Selecting a Contract Maintenance Provider

## A Total Value Assessment

- A Total Value Assessment ensures MRO operations select the best contract maintenance provider for their company:
  - > Does the provider have a dedicated customer service team to support your program?
  - > Do they utilize web-based technology to recruit and screen personnel?
  - > Do they specialize in aviation services with an experienced management team?
  - > Do they have a performance commitment?
  - > Is the company well-capitalized?
  - > Do they have comprehensive insurance coverage
  - > Do they have formal personnel evaluation and retention programs?

# Summary

- Robust market for outsourcing in the aviation industry
- Contract maintenance providers are a valued link in the collaborative value supply chain
- Contract maintenance providers will need to close the “fulfillment gap” by increased use of technology, processes and procedures
- Regional airlines can help close the fulfillment gap by undertaking total value assessments to ensure their contract maintenance provider is delivering the highest quality personnel

# Reliance Aerotech Overview

## The Team Reliance Group of Companies

- Reliance Aerotech is a private equity company investing in and operating aviation services companies
- Also provide advisory services leveraging our corporate finance, strategy, operations, marketing and communications expertise
- Have operated leading FAA repair stations in North America including Celsius Aerotech, now Embraer Aircraft Maintenance Services
- The Team Reliance group of companies includes Reliance Aerotech Services, an aviation contract maintenance and logistics company serving some of the leading names in aviation since 1998