



April 28, 2003
Douglas Anweiler, Vice President
6th US Regional Airline Conference and
Regional Valuation Symposium

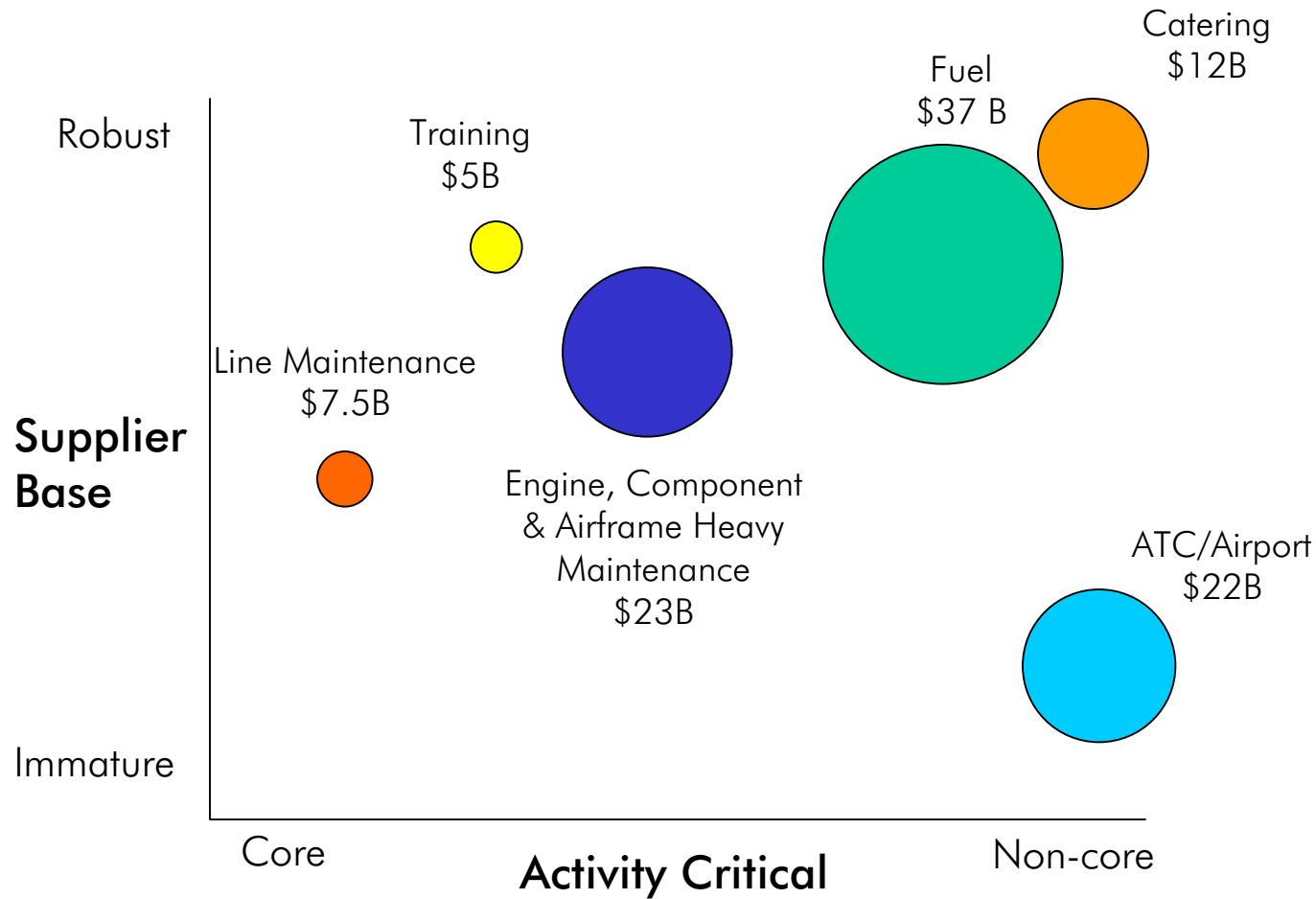
2003 Annual Maintenance
Industry Survey
Outsourcing Trends: The
Changing Role of Contract
Maintenance Providers

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

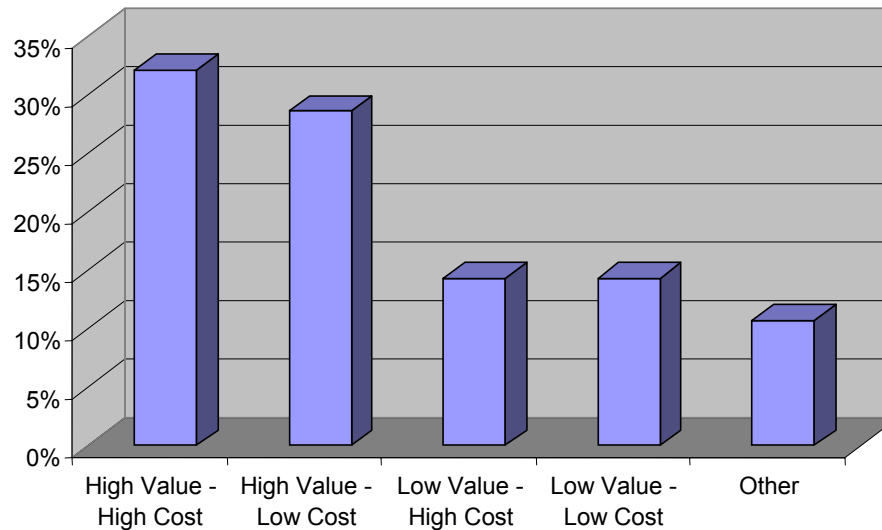
- Reliance Aerotech surveyed 153 maintenance managers in the Airline, Repair Station, Government and Corporate Flight Department sectors in February 2002.
- 33 Managers responded, representing a response rate of 22%
- 28 respondents had used contract maintenance personnel in the past
- All results valid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

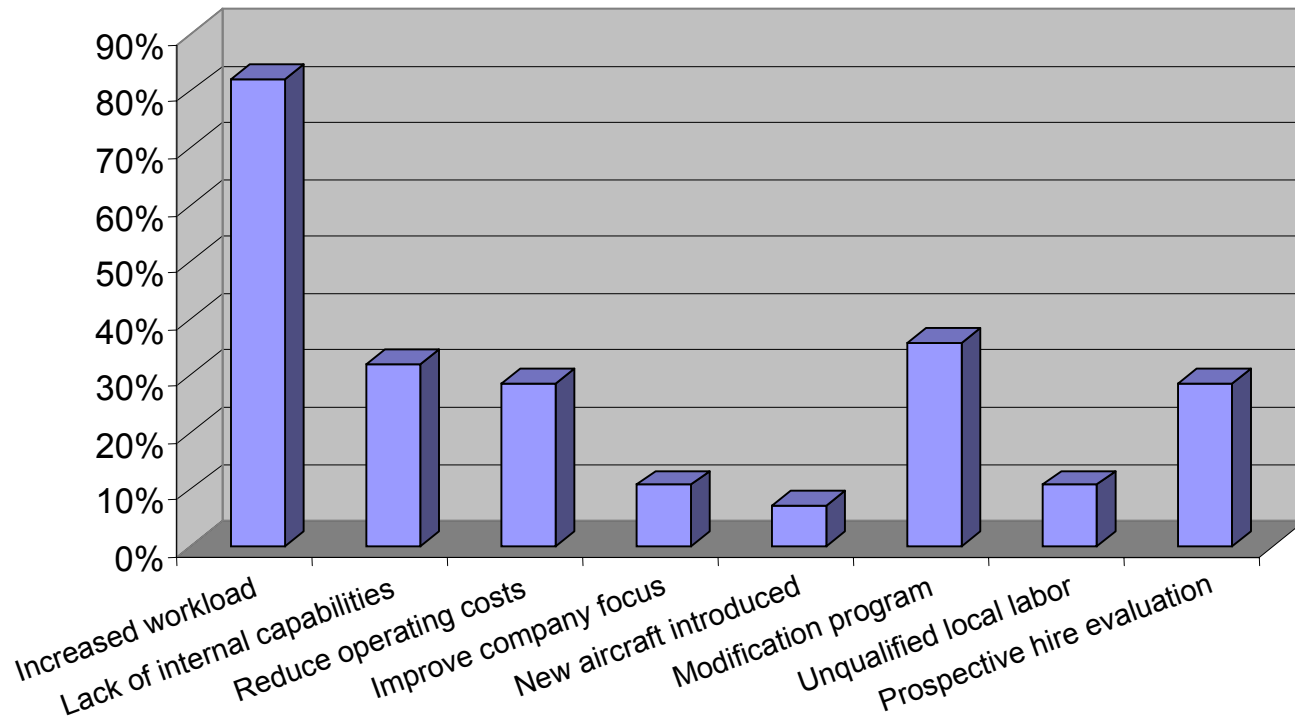


- Respondents were split regarding perceived cost

Reliance Contract Maintenance Survey

Workload The Primary Driver for Outsourced Personnel

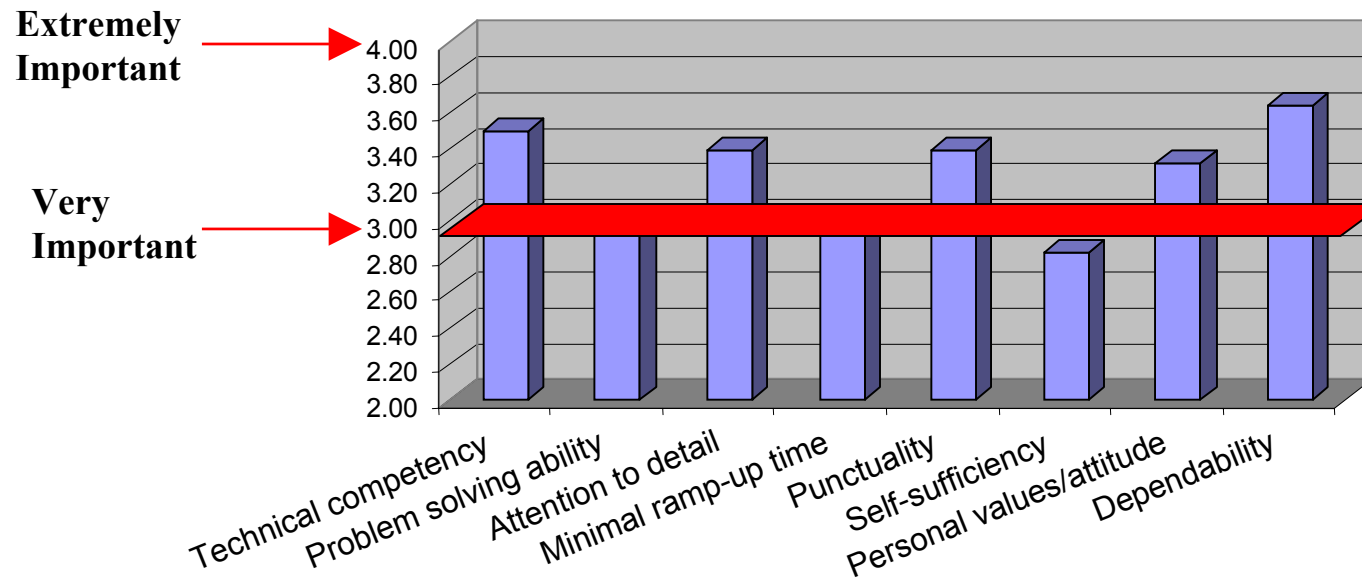
Why Contract Maintenance is Employed



Reliance Contract Maintenance Survey

"Warm Bodies" Not Enough in Demanding Environment

Key Success Factors in Contract Maintenance Personnel

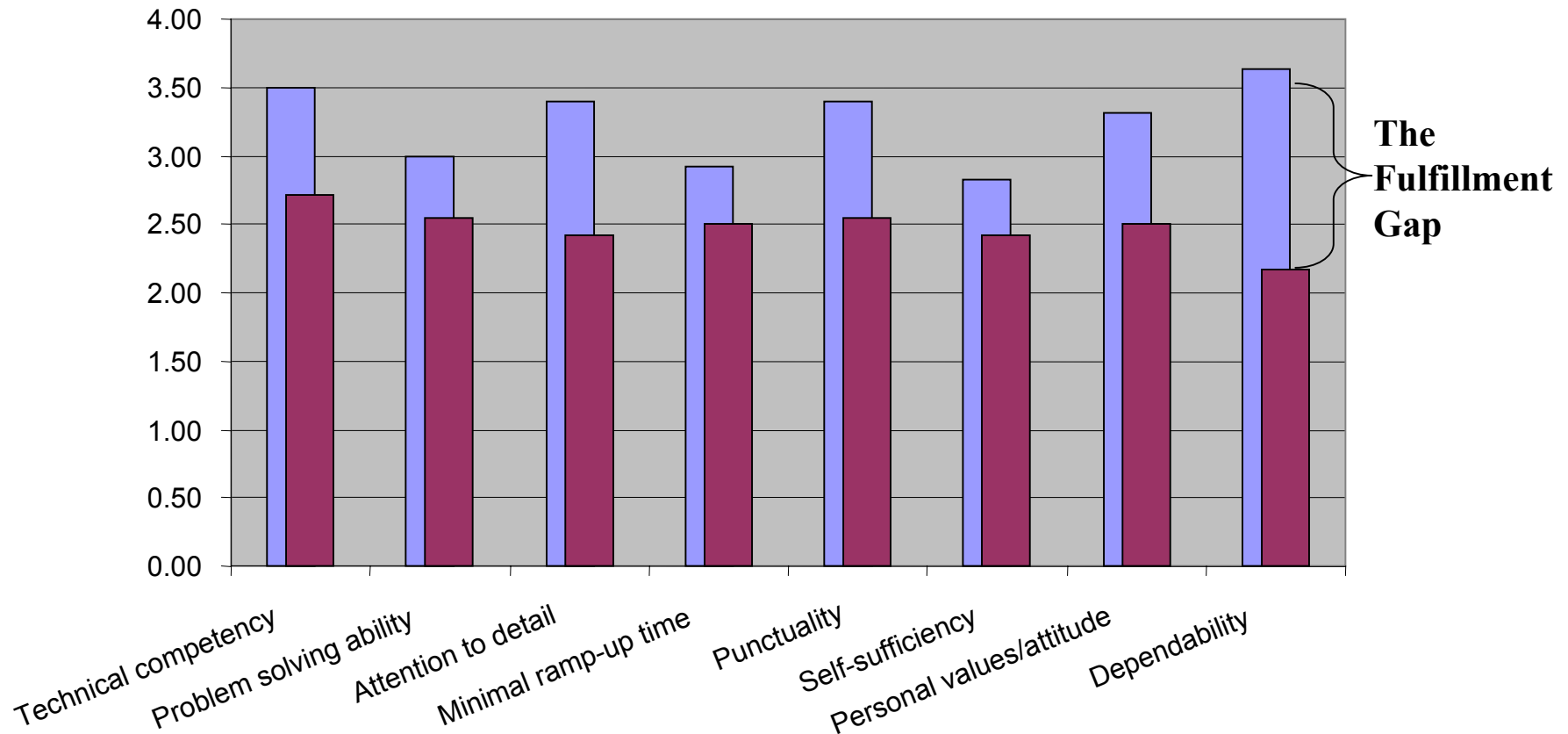


- Customers are demanding a total package to achieve performance

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