



Reliance Aerotech Services Inc.

**2004 Annual Aviation  
Maintenance Industry  
Survey**

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## Presentation Overview

- Industry survey objectives
- 2003 survey highlights
- 2004 survey background
- 2004 survey data:
  - > Understanding the “fulfillment gap”
  - > Screening to select the best – identifying key selection criterion
  - > Screening to select the best – understanding contractor motivations
- Conclusion
- Recommendations

## Reliance Aerotech Industry Surveys

### Increasing the Level of Professionalism

- Reliance Aerotech began the annual industry surveys in 2003 to increase the level of professionalism in the contract maintenance industry
- The objectives for the annual surveys include:
  - > Establishing benchmarks that serve to guide decision making within maintenance organizations
  - > Enhancing the quality of the contractor screening process by understanding what motivates good contract maintenance professionals
  - > Building consensus among maintenance organizations, contract maintenance professionals, and contract maintenance outsourcing companies on the issues that matter most

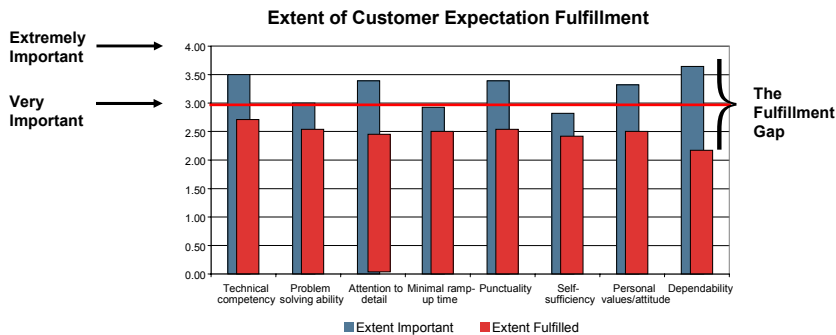
## 2003 Reliance Maintenance Industry Survey

### Survey Highlights

- Key finding in Reliance's 2003 industry survey of maintenance managers provided a deeper understanding of the needs of maintenance organizations:
  - > The majority of maintenance managers saw outsourced maintenance personnel as a valued link in the supply chain with 64% believing contractors to be high value
  - > Hourly rate was *not* the most important factor in choosing a contract maintenance provider – a company's aviation experience and customer service were of greater importance
  - > Maintenance managers identified five characteristics of contractors that were of extreme importance to their organizations – dependability, technical competency, attention to detail, punctuality and personal values/attitude
  - > Managers stated contractor performance for these five characteristics did not meet their expectations creating a "fulfillment gap"

## 2003 Reliance Maintenance Industry Survey Survey Highlights

- The 2003 survey outlined ways MRO organizations could work collaboratively with suppliers of contract maintenance personnel in finding solutions to close this perceived “fulfillment gap”



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## 2004 Reliance Maintenance Industry Survey Survey Background

- The 2004 Reliance Industry Survey sampled the opinions of 535 aviation maintenance contractors
- 116 contractors participated, a response rate of 22%
- The survey sought to understand the contractor profile – their motivations, values and satisfaction levels.
- The survey was designed to follow up on Reliance’s 2003 survey of maintenance managers which examined the customer perspective on the outsourced maintenance personnel industry
- A number of identical questions were presented to both survey groups to provide a comparative analysis of how maintenance managers and contractors view maintenance personnel outsourcing

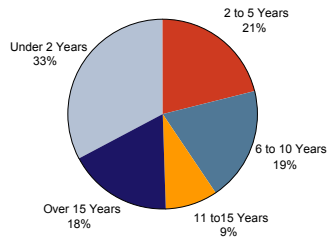
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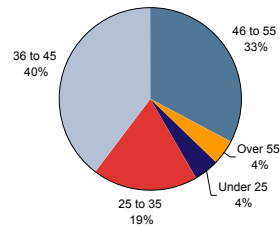
## 2004 Reliance Maintenance Industry Survey Survey Population

- A diverse group of contractors in terms of age and experience participated in the survey

**Years of Contracting Experience**



**Age Groupings of Respondents**



## 2004 Reliance Maintenance Industry Survey Survey Objectives

- Reliance's 2004 survey sought to:
  - > Understand the extent to which the fulfillment gap exists and identify ways to close the gap
  - > Identify the traits of both high performance and low performance contractors to guide the screening process in selecting the right outsourced maintenance personnel for MRO organizations
  - > Understand contractors' motivations, level of satisfaction within the industry and opinions regarding key success factors in maintenance organizations
  - > Create a path of professionalism for contract maintenance providers that will serve to produce greater dependability, quality and safety for operators

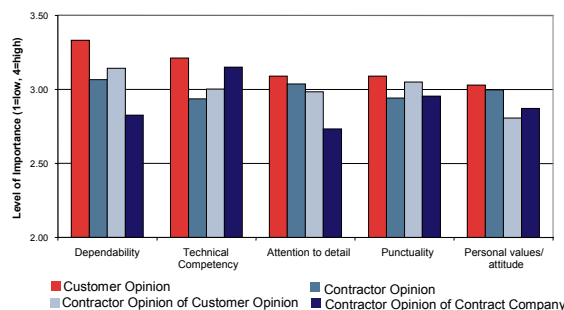
## 2004 Reliance Maintenance Industry Survey Is The Fulfillment Gap Real?

- To understand the depth of the “fulfillment gap”, the survey explored contractor opinions on the five characteristics maintenance managers identified as extremely important for success in the 2003 survey – dependability, technical competency, attention to detail, punctuality and personal values/attitude
- The survey asked contractors three key questions to develop a better understanding of their perspectives on these characteristics:
  - > How important is each of the following characteristics for a contractor to possess?
  - > How important do you feel the customer thinks each of the following characteristics is important?
  - > How important do you feel the contract company thinks each of the following characteristics is important?

## 2004 Reliance Maintenance Industry Survey Confirming The Fulfillment Gap

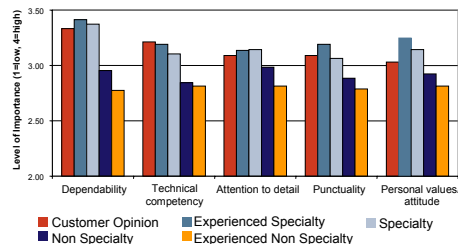
- Looking at contractors as a homogenous group, the survey showed a strong discrepancy between contractors and maintenance managers on critical characteristics for success

**Comparing Level of Importance for Customers vs. Contractors**



## 2004 Reliance Maintenance Industry Survey Understanding the Fulfillment Gap

- An in-depth analysis indicates all contractors are not equal:
  - > Specialists (Avionics, Structures and Engines) *exceed* or are equal to maintenance managers in placing importance on the five critical characteristics
  - > Experienced specialists (5+ years contracting) have an even greater emphasis on the five characteristics



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## 2004 Reliance Maintenance Industry Survey Understanding the Fulfillment Gap

- While specialists set the standard for excellence among contract maintenance professionals, a core group of quality A&Ps and generalists exist within the general contractor population:
  - > In a measure of shared values, 71% of A&Ps and generalists surveyed matched those of the maintenance managers
- The presence of this 29% group of contractors who do not share values with maintenance organizations indicates the depth of the "Fulfillment Gap"
- The key challenge for maintenance personnel outsourcing companies is the need to develop effective screening processes that can recognize the traits and motivations of high performance contract maintenance personnel

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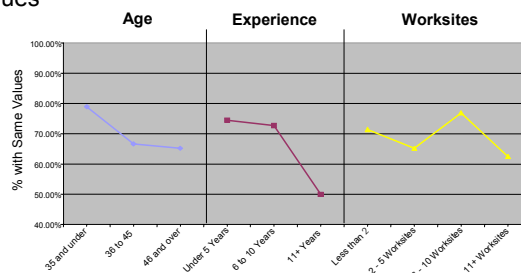
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## 2004 Reliance Maintenance Industry Survey Screening to Select the Best – Identifying Key Criteria

- To help guide the screening process, the survey analyzed the responses of A&Ps and generalists in an effort to identify which selection criteria are predictors in identifying the group who share the same values as maintenance organizations
- The survey analyzed the following selection criteria to determine if they had an impact:
  - > Age, experience, number of worksites
  - > Licensed vs. unlicensed
  - > Hourly rate

## 2004 Reliance Maintenance Industry Survey Screening to Select the Best – Age, Experience & Worksites

- Age, years of contracting experience and number of worksites demonstrated no effectiveness in identifying quality performers, each showing different trends and limiting the importance of these conventional selection criteria
- The survey did indicate “hardcore” contractors have lower levels of shared values



## 2004 Reliance Maintenance Industry Survey

### Screening to Select the Best – Hourly Rate & License

- Other conventional selection criteria also failed to produce any trend that would be helpful in identifying the contractors who share values with maintenance organizations
- Hourly Rate:
  - > Pay had no discernable predictive effect with both high and low paid groups sharing 75% agreement with maintenance organizations, the same as the overall rate
- Licensed vs. Unlicensed:
  - > Licensed and Unlicensed Mechanics again had no predictive effect with 75% of both groups sharing values with maintenance organizations

## 2004 Reliance Maintenance Industry Survey

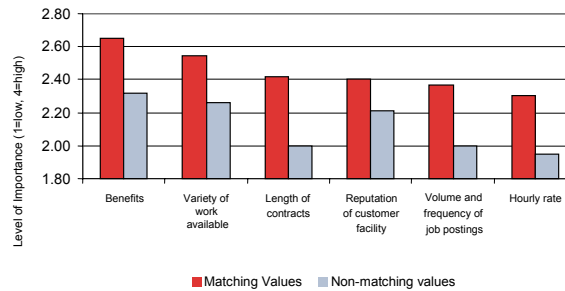
### Screening to Select the Best – Understanding Motivations

- To help guide the screening process, the survey also explored the responses of A&Ps and generalists to identify if there are key motivators that lead the high performance contractor group to share the same values as maintenance organizations
- The responses to the following questions were examined to determine if non-conventional criteria could be effective in selecting quality personnel:
  - > Why choose contract maintenance?
  - > Personal level of fulfillment
  - > Reasons for selecting a maintenance personnel outsourcing firm



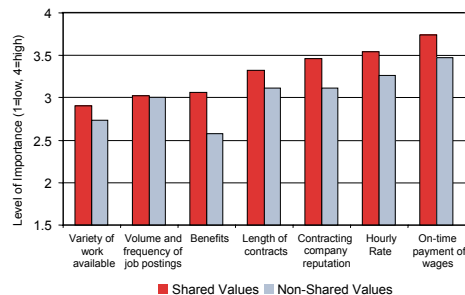
## 2004 Reliance Maintenance Industry Survey Screening to Select the Best – Levels of Satisfaction

- A&Ps and generalists who share values with maintenance managers exhibit a significantly higher level of satisfaction with the industry as a whole



## 2004 Reliance Maintenance Industry Survey Screening to Select the Best – A Sense of Importance

- A&Ps and generalists who share values with maintenance managers place a higher level of importance on all aspects of the industry
- The reputation of a contracting company is extremely important in attracting the best contract maintenance professionals



## 2004 Reliance Maintenance Industry Survey Conclusions

- The “fulfillment gap” identified in Reliance’s 2003 industry survey is deep – nearly 30% of A&Ps and generalists do not share the same values as maintenance managers
- Specialist contractors set the standard for excellence in the industry, exceeding or equaling maintenance managers in placing importance on key characteristics for success in maintenance organizations
- Not all A&Ps and generalists are the same – more than 70% shared values with maintenance managers
- Selecting high performance A&Ps is not a straightforward process – non-conventional selection criteria are more effective than conventional criteria in identifying high value contract maintenance personnel
- The reputation of the outsourcing firm is extremely important in attracting the best contract maintenance professionals

## 2004 Reliance Maintenance Industry Survey Recommendations

- Screening processes need to incorporate non-conventional selection criteria such as values and motivations to be effective in identifying quality personnel
- Maintenance organizations should place greater focus on specialists as contract maintenance professionals as they appear better suited to the demands of the profession as well as understanding and valuing the characteristics necessary for success
- Maintenance organizations should select personnel outsourcing firms with mature and formal screening processes to consistently and accurately identify quality performers from those who would be just another warm body
- Contract maintenance outsourcing firms need to work with contract personnel to communicate the importance of shared values and outline the path to increased professionalism within the industry

# 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 innovator in the provision of outsourced maintenance personnel and integration solutions
- Reliance Aerotech Services leverages technology and processes to provide the highest quality personnel through innovations such as its industry leading online employment center, Total Value Assessment Program, proprietary screening process and annual industry surveys