

Why Do We Need More PMA's Than Ever?

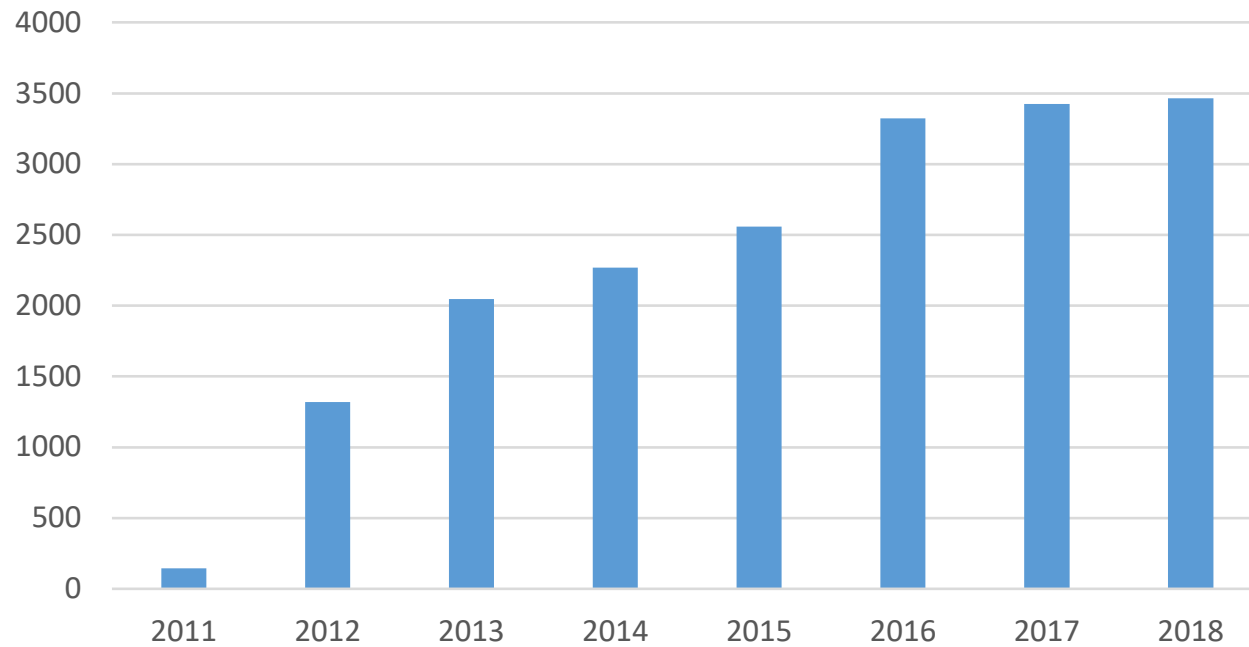


By: Rafael Samudio
Copa Airlines

Copa PMA in Numbers



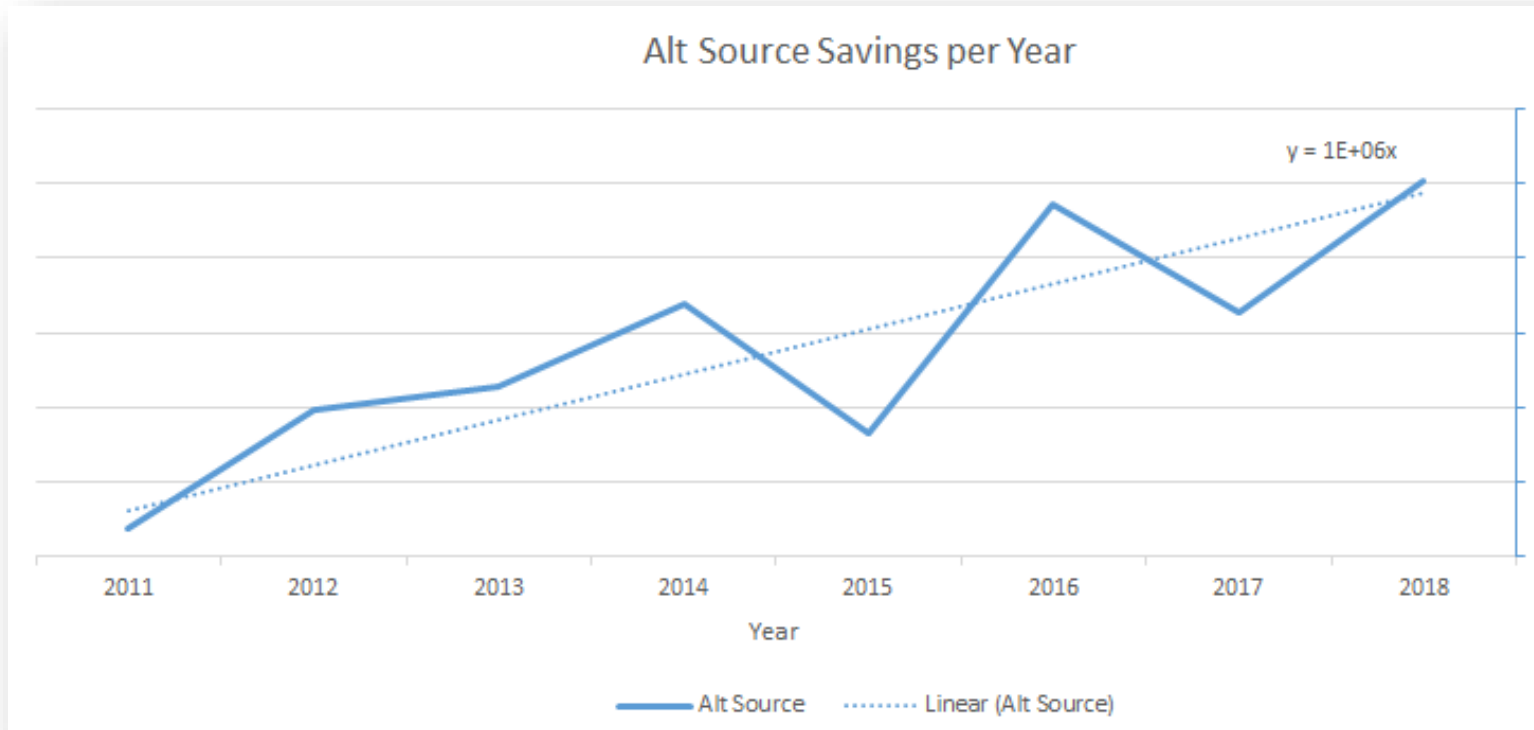
Qty of Alternate Sourcing Approved



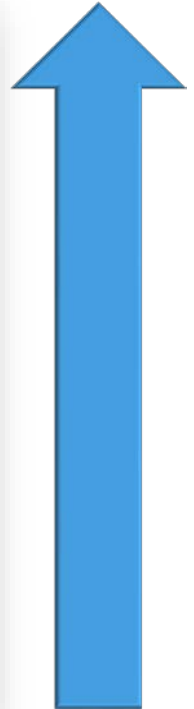
2,273%



Copa PMA in Numbers



Exponential
Growth



The Perfect Storm!



1. Airlines
Finance Results

2. Jet Fuel Prices

3. IATA, CFM Agreement
on Engine Maintenance

4. Removal of
Licensing Agreement



Why its time to PMA



- The final Q2 2018 airline financial data confirms a decline in airline profitability compared to the same quarter a year ago. Source IATA Airlines Financial Monitor, Key Points August – September 2018
- Oil prices have risen by approximately 40% over the past year and jet fuel prices averaged more than US\$90bbl in September. Source IATA Airlines Financial Monitor, Key Points August – September 2018
- IATA & CFM International Signed a Pro-Competitive Agreement on Engine Maintenance. Date: 31 July 2018
- “Boeing is ramping up its push into the parts business, as part of a broad effort to cut costs and secure a new source of revenue even more lucrative than making aircraft” . Source: The Wall Street Journal , April 24, 2016
- “Spirit’s contract with Boeing allowing them to make and sell spare parts using Boeing intellectual property expired February 29 and will not be renewed,” Boeing said in response to questions from Reuters. Date: 31 March 2016

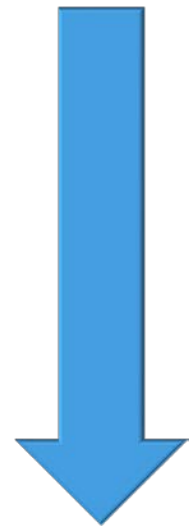


Airlines Finance Results



Number of airplanes in sample	Regions	Q2 2017		Q2 2018	
		EBIT Margin	Net post- tax profit	EBIT Margin	Net post- tax profit
38	North America	14.0%	6,313	11.2%	5,064
30	Asia-Pacific	5.0%	1,421	2.8%	656
16	Europe	9.7%	3,820	8.3%	3,874
10	Latin America	4.4%	(302)	-1.0%	(548)
5	Others	6.4%	59	0.9%	2
99	Sample total	10.3%	11,311	7.8%	9,048

2.5%



US \$ million

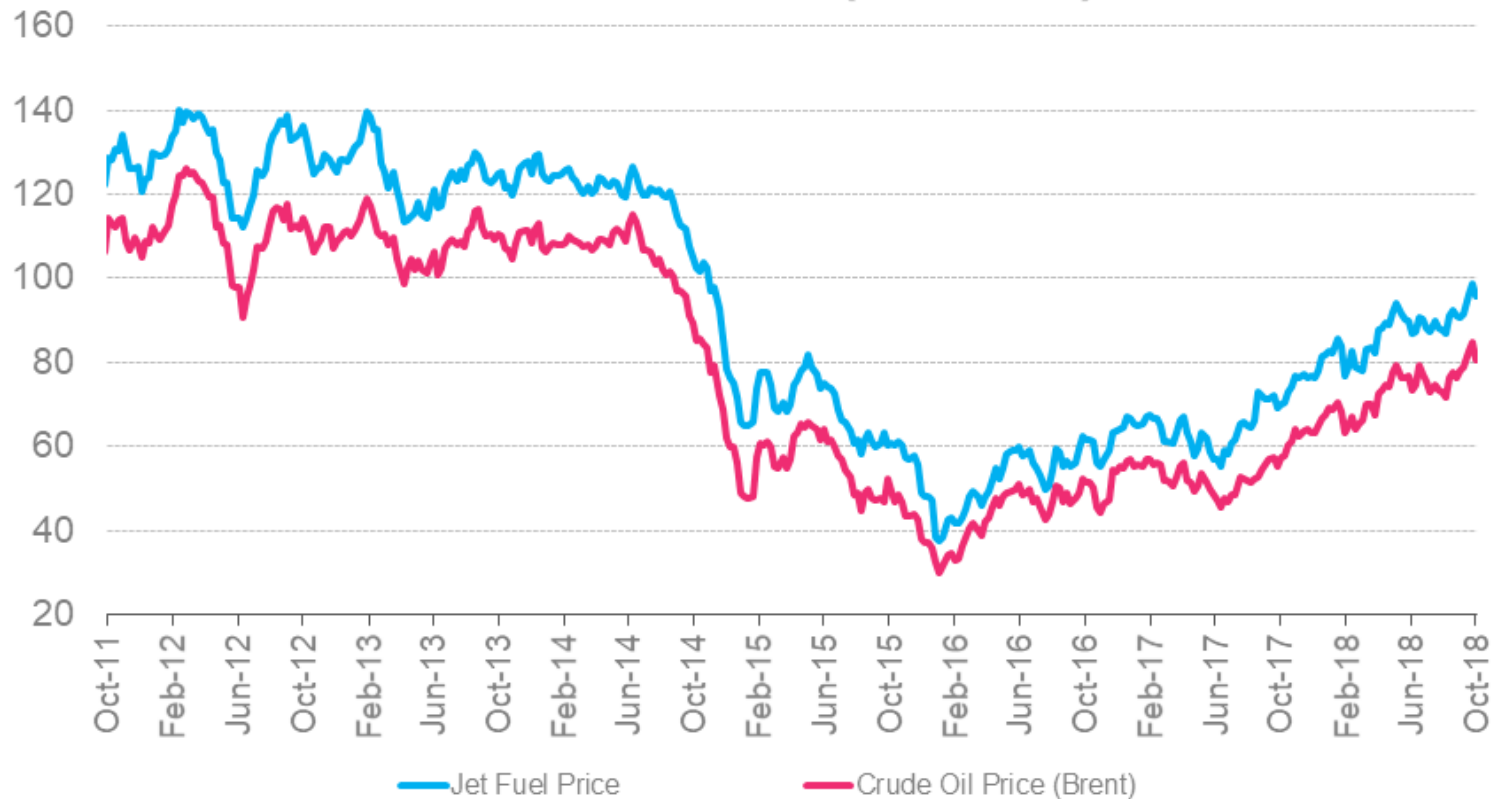
Sources: The Airlines Analyst, IATA



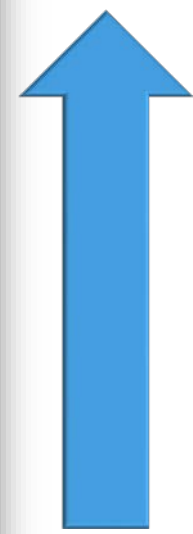
Jet Fuel Prices



Jet Fuel and Crude Oil Price (\$/barrel)



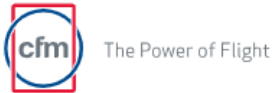
40%




Source: Platts, Datastream



IATA, CFM International Sign Pro-Competitive Agreement on Engine Maintenance



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CFM INTERNATIONAL, IATA SIGN LANDMARK AGREEMENT

- CFM reaffirms strategy for an open MRO market

WEST CHESTER, Ohio – 31 July 2018 – CFM International (CFM) and the International Air Transport Association (IATA) have signed a commercial settlement agreement concerning CFM's MRO (maintenance, repair and overhaul) policies and activities.

Under the terms of this agreement, CFM reaffirms its commitment to maintain and foster robust and open competition within the MRO market, as well as the competitive nature of its MRO model, which serves as a reference in the jet engine industry and has been a key element in the ongoing success of the CFM product line.

As part of this agreement, CFM has published its Conduct Policies and associated Implementing Measures, specifying its product support policy and guidelines related to such aspects as licensing, warranties, servicing, technical support, repairs, communication, and contracting. These documents help to confirm, clarify, and complement CFM's aftermarket practices.

CFM expects that the resulting publication of the Conduct Policies and Implementing Measures* will facilitate the awareness of CFM's principles with its customers and support IATA's intent to expand the application of such policies to other stakeholders in the aerospace industry.

we are always operating to the highest levels of safety and reliability. This milestone agreement with CFM will lead to increased competition among the providers of parts and services related to the servicing of CFM engines. We



IATA, CFM International Sign Pro-Competitive Agreement on Engine Maintenance



- **CFM Agrees to permit the use of PMA Parts and DER Repairs**
- In a major step for the aviation industry, CFM has agreed that they will begin permitting MROs to use PMA parts and DER repairs!!
- The settlement agreement includes a set of CFM Conduct Policies and a set of Implementing Measures for those Conduct Policies. The IATA Press release summarizes the benefits as such:
 - License its Engine Shop Manual to an MRO facility even if it uses non-CFM parts
 - Permit the use of non-CFM parts or repairs by any licensee of the CFM Engine Shop Manual
 - Honor warranty coverage of the CFM components and repairs on a CFM engine even when the engine contains non-CFM parts or repairs
 - Sell CFM parts and perform all parts repairs even when non-CFM parts or repairs are present in the engine



IATA, CFM International Sign Pro-Competitive Agreement on Engine Maintenance



- Some key sentences in the documents that are most useful to the aftermarket, and to operators seeking to rely on the aftermarket, include:

V. THIRD PARTY-DEVELOPED PARTS AND REPAIRS COMMUNICATION

- CFM will communicate the following regulatory airworthiness provisions through a statement issued to its airline and MRO customers:
 - Parts approved by the FAA under 14 CFR Part 21 and 14 CFR Part 43 and/or approved by the EASA under Part 21.A.109 and Part 21.A.451 are eligible for installation in CFM engines.
 - Parts that have been repaired with a repair approved by an FAA DER under 14 CFR Part 183 and/or an EASA DOA holder in accordance with Part 21, Subpart J and related Acceptable Means of Compliance and Guidance Material, are eligible for installation in CFM engines.

The Power of Flight



Licensing Agreement



- Our Experience with the removal of Licensing Agreements its as follow:
 - Higher Purchase Price vs when Purchase from the Licensee
 - Higher Repair Prices vs when Repairs were done with the Licensee
 - Inexperience dealing with the aftermarket
 - Inventory Increase
 - Not enough spares increasing lead times
 - Long Lead time on Repairs
 - Lack of suitable inventory location



Thanks!!



IT'S
IT'S
Miller
TIME

