

MRO MANAGEMENT[®]

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Desert bloom Etihad Airways Engineering

CF34
25 years in service

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Spin off

Taking over sunset products from other OEMs has proved to be a good business for Ontic Engineering

Ontic has facilities in Chatsworth, CA, US; Cheltenham, UK; and Seletar, Singapore (all photos: Ontic)

Gareth Hall, President and Managing Director, explains that the company, part of the BBA Group, has more than forty years of experience in the licenced production of components that have been transitioned from the original OEM. It now has intellectual property rights, via license or acquisition, on over 4,500 products and 1,000,000 component parts from companies such as Crane, Curtiss-Wright, Eaton, GE Aviation, Honeywell, Kidde, Meggitt, Moog, Parker, Pratt & Whitney Canada, Rolls-Royce, Safran, Thales, UTC Aerospace Systems, Woodward and Zodiac Aerospace. The company serves more than 5,000 customers from three locations: Chatsworth, CA, US; Cheltenham, UK; and Seletar, Singapore. There are three main markets – military (49%), commercial (42%), and business aviation (9%).

He says growth in the last five years has been unprecedented, with turnover tripling to \$200 million. MRO, with no third party work, accounts for 25% of that total, 40% of which is represented by commercial aviation. Much of that growth has come from electronics, avionics and electro-mechanical products, largely replacing mechanical components. Five years ago, they represented less than 10% of the business; they now represent 45%, although mechanical work is still important, particularly for the US operation.

That growth was given a boost with the purchase of a portfolio of legacy avionics from GE Aviation. Announced in November 2016, the \$61.5 million acquisition was completed in January 2017. It includes electro-mechanical, barometric, gyroscopes

and electronics products, with 750 LRUs and 68,000 part numbers. Key platforms include the Boeing 737, the Sikorsky Sea King and Leonardo AW101 helicopters, Lockheed Martin C-130J transport and BAE Systems Hawk military trainer. He says the company acquired GE's fuel gauge business in 2012, with Airbus and Boeing as key customers, and Hall feels the smooth transition to Ontic gave it confidence for the avionics package.

The addition of new products has an impact on the company's production and repair units, as they have to be altered to adapt to additional techniques, processes and equipment.

David Mayne, Military Programmes Director in Cheltenham, says that the GE avionics programme also resulted in a major layout change in the UK. While some of the work involved improved offices and staff facilities to cater for the growth from 170 to 250 personnel, one of the major developments was the construction of an ISO 5 standard clean room for work on gyros. Next to this, a temperature and humidity controlled workshop was installed, along with a heat treatment area, a small machine shop and a screen printing shop (for dial fascias).



Gareth Hall, President and Managing Director, Ontic Engineering

However, he notes that the GE facility layout was simply 'dropped in' to Cheltenham. He says it will take 12 months to build up to the full product portfolio, and there is a constant review of techniques and processes, with a steady evolution. ▶

Both the Chatsworth and Cheltenham facilities have been upgraded as a result of the GE Aviation deal



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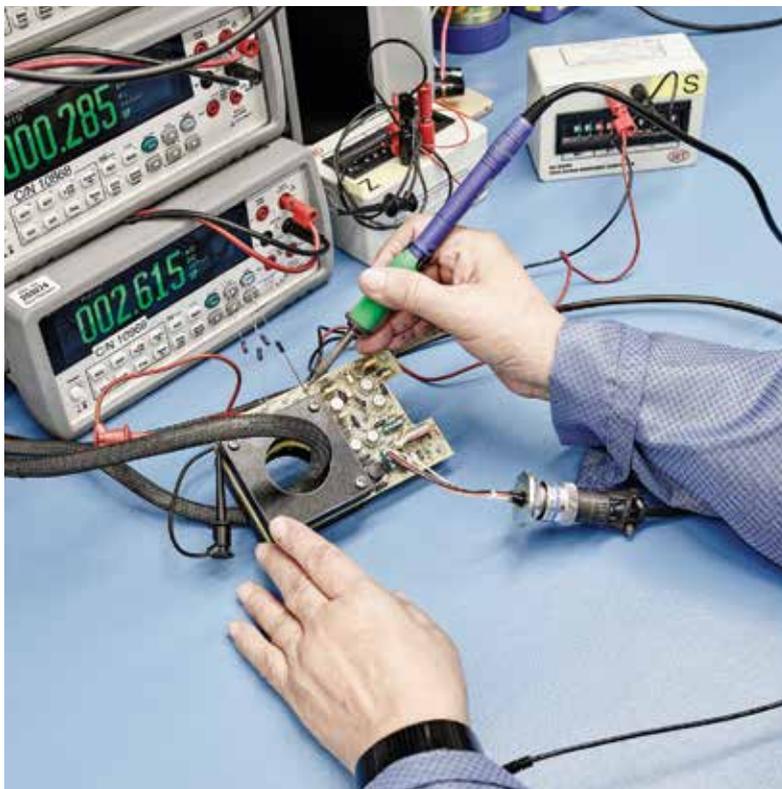


Robert Sadler, Director of Business Development, explains that a reorganisation of the 3,300m² Chatsworth facility in 2015 saw the opening up of the office space to bring the supply chain, engineering and programme management teams closer together, including the addition of a mezzanine level. In the production and repair areas, a push to introduce Lean saw a consolidation that allowed 30% of the total floor space to be made available for future growth.

MRO, with no third party work, accounts for 25% of turnover, 40% of which is represented by commercial aviation

This included the introduction of storage areas for test equipment that was not being used on current work packages, with the equipment mounted on wheels to enable its easy transfer.

Hall says test equipment is often overlooked by operators but is a vital asset, and Ontic will replicate boxes and leads where necessary to ensure continuity. The same applies to software, as the original OEM may move away from an older operating system.



Used serviceable material is fundamental to support aircraft coming to the end of their life, he says, and the company is an active player in the market, including end of life buys. However, some operators prefer new parts and also want an OEM tag. Part of this is to maintain residual value by avoiding the use of PMA parts or alternative means of compliance. The amount of inventory held by Ontic means it can offer exchange and long term loan stock to customers.

Ontic is well positioned to support potential further growth, as there is a lot of activity in the pipeline, and the company has a strong brand and proven track record of easy transitions. While some opportunities could come from companies looking to dispose of legacy products, he points out that consolidations can also throw up non-core activities after the companies' businesses are aligned.

For the commercial aviation side of the business, the focus will be on the Airbus A320 and Boeing 737, just through the numbers involved, although he comments that there is a lot of competition as a result with wide price and quality variations. The BAE Systems 146 and Boeing 777 are also of considerable interest. ■