

Potential of flexible rightsizing for European MRO organizations through adaption of aviation law

Illustrated by the proposal of a consolidated CAMO for European airline groups

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By Laura Desel

Through the Covid-19 pandemic airlines are stuck in the worst economic crisis of all times. As travel restrictions are rather intensified than eased, airlines nowadays intensively concentrate on minimal cash drain and cost savings to survive this worldwide depression.

As the initially anticipated duration of the massive capacity reductions and the timing of the restart phase turned out to be “wishful thinking”, fast changes and short notice measures cannot meet the necessary cost reductions over this long period of time. Instead, structural changes and sustainable adjustments are needed.

As Lufthansa Group CEO Carsten Spohr expects that after the crisis a new market situation with a concentration of airline groups in each region of the world¹ will be the new reality, also European airline groups need to strengthen their competitive situation. Many international carriers are (partially) owned by national governments and are strongly subsidized during these times. Moreover, as their business is located outside of the EU these airline groups can follow leaner, more competitive organizational structures under their national law instead of EASA.

Therefore, the grouping named Airlines for Europe (A4E), which advocates on behalf of its members to help shape EU aviation policy, is currently driving a change in aviation law for continuing airworthiness organizations (CAMO) to foster a competitive situation for and the possibility of enormous cost savings in European airline groups².

Today's required CAMO structures are inefficient for airline groups

Current aviation law does not consider commercial airline groups in its regulations. Hence, it treats every airline operator as a separate organization meaning every air operators certificate (AOC) requires its own continuing airworthiness management organization (CAMO). This leads to various CAMOs in airlines groups - CAMOs with the same roles and tasks that require a lot of staff for redundant work and instead cause complexity.

In detail, every AOC must have an accountable manager (ACM), and is required to maintain its own CAMO including a nominated person for continuing airworthiness (NPCA). Furthermore, every CAMO has to develop its own continuing airworthiness management expositions (CAME), airworthiness directives (AD), service bulletins (SD) and approved maintenance programs (AMP).

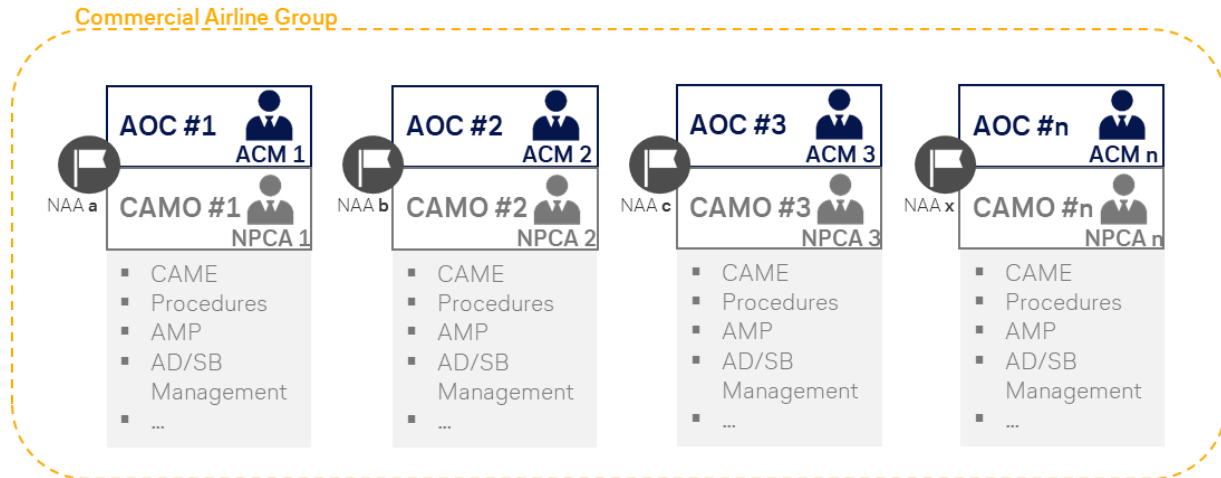
Besides, every AOC with its CAMO is under the oversight of one national aviation authority (NAA). For airline groups with AOCs and CAMOs in different countries, the group deals with various NAAs and their different national interpretations of EASA rules.

All in all, this leads to immense double work under even the same or most times different oversights, resulting in diverse interpretations of basically the same requirements.

¹ Lufthansa Consulting research

² A4E Position Paper, 25. June 2020

Figure 1 Aviation organization of airline groups today (source: Lufthansa Consulting based on A4E)

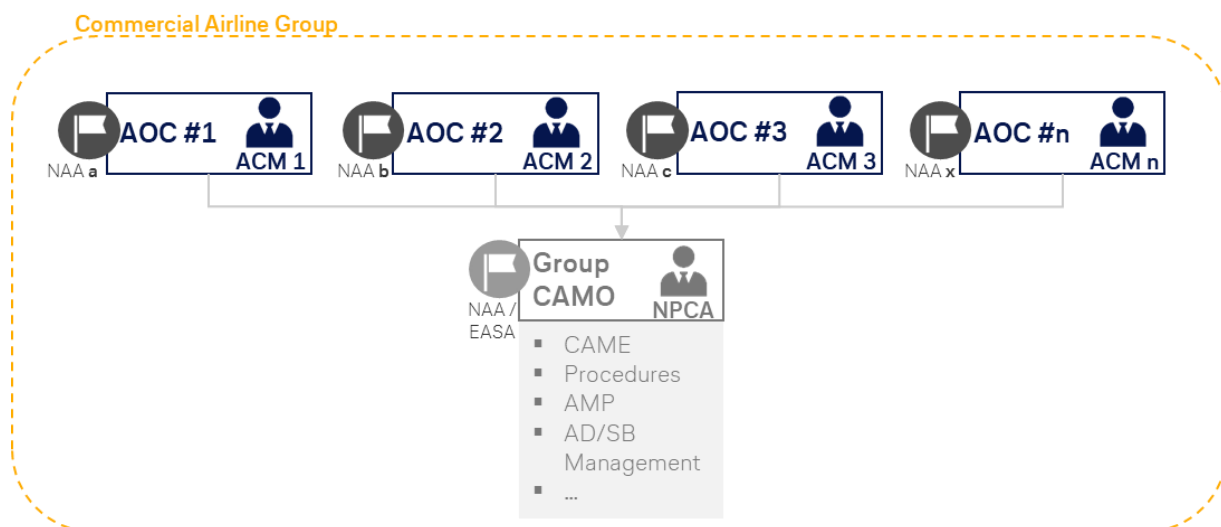


The proposed new CAMO setup for airline groups

In the proposed new setup, the AOC structure remains as today including the accountability as an operator, still no continuing airworthiness (CA) tasks are performed by the AOC organization. The CAMO organization will be a separate organizational unit within the airline group. This unit will cover all continuing airworthiness related tasks for every airline operator in this group following one set of processes and standards. This is assured by the oversight of only one authority. Currently, it is proposed to attach the CAMO to the competent authority of the member state where the airline group CAMO has its principle place of business.

Still, a possible oversight by EASA itself should not be neglected in the discussion of this new policy, as this fully overcomes local opinions for related national approvals.

Figure 2 Potential aviation organization of airline groups after law change (source: Lufthansa Consulting based on A4E)





Benefits of a consolidated group CAMO

First of all, it **prevents double work** and complex structures. A4E goes one step further and represents the idea that it will also **increase the safety performance** overall, which can be achieved through the reduction of process interfaces within the group. Due to the reduced complexity fewer human errors are expected which does increase safety.

Considering the interface to 145/MRO services from the group CAMO a **controlled environment** for aircraft assets within the airline group can be created. This eliminates the CAMO “phase-out, phase-in” effort and allows the re-allocation of aircraft between group AOC’s with a minimal lead-time (e.g. within one day).

A group CAMO offers more effective steering options and increases the **fleet agility** within the group which significantly allows for **cost reductions**. Moreover, the law change offers more **flexibility** for airline groups to adjust their organizational setup based on their actual needs.

Subcontracting and double functions as a compromise

Nowadays, subcontracting is allowed for certain airworthiness tasks but only for a limited scope. Here the CAMO subcontracts these tasks to an independent organization, nevertheless the respective CAMO remains responsible under the oversight of the particular NAA. To remain competitive airline groups have broadened their interpretations and implementation of subcontracting. In addition, double hatting for local CAMO functions within one airline group has become a popular solution for effective structures following the regulatory requirements. Still, the level of implementation depends on the NAA and its approval. This leads to complex and individual structures in every country within the group.

To reach the full potential of a flexible and competitive organization structure subcontracting and the harmonization of processes and standards (as far as possible under surveillance of various NAAs) are not enough. Visible cost savings within a lean organization can only be achieved by a change of law.

Conclusion

The proposed new structure of a group CAMO offers competitive advantage and potentials for cost reductions within European airline groups.

Nevertheless, a law change can take time and every airline, also outside of Europe, might still validate their regulatorily required organizations and processes in the MRO area. Elimination of double work, bundling of tasks to reduce interfaces to speed up processes or even transforming the current steering setup under the current regulatory rules offer potential for higher flexibility and cost savings.

To learn more and discuss how your organization could benefit from Lufthansa Consulting’s expertise on Crisis Recovery, please get in touch at ALcrisis-solutions@LHConsulting.com

Together, we can make it through to better days.

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