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FL Technics carves MRO niche in Lithuania
By Kieran Daly

IN THE Lithuanian capital of Vilnius the FL Technics business unit of Avia Solutions Group is aiming to grow as fast as it can.

Under the leadership of chairman and chief executive Jonas Butautis the company is building rapidly from a base secured in large part by capitalising on historic links with Russia and the CIS.

Now the former management consultant is targeting European Union customers with growing offerings in base and line maintenance. A new hangar is awaiting planning approval and will double capacity from 4.5 narrowbody bays - the half supporting only minor work - to nine.



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FL Technics has built its business around the 737 Classic

The company has an internal goal of hitting €150 million (\$214 million) turnover by 2012 and wants to have a 50/50 balance of CIS versus EU work compared with the current 95% CIS contribution.

Butautis says: "We would like to become like Lufthansa in eastern Europe, with multiple locations and a good balance of EU versus CIS work.

"We are getting sales in the EU and have contracts in our pipeline. By about 2011 we will have a much more evenly split customer base."

One reason is to mitigate the credit risks inherent in CIS business, but Butautis adds: "The second is to raise our own quality levels. Much as we love our customers in the CIS, they are not so demanding because they are still learning, and so we are not advancing so much. We want the

customers to be telling us that a particular turnaround time is not acceptable so that we get our act together."

None of that is going to be easy, he admits, noting that FL Technics faces big challenges in establishing its market reputation. "We are just starting," he says. "We have to earn the trust of the major players and we have a long way to go. If we have an aircraft from a big carrier, then we have to deliver or they won't come back.

"You establish the relationship and the best you can hope for is to get one or two aircraft to try out and then after that you start building on trust. With British Airways it is two years work at least."

Plans are advanced to launch "quite a large-scale network of line organisations" across Europe, and in base maintenance FL Technics says it will soon induct its first Boeing 737NG to add to its core 737 Classics line. Next year it plans to add Airbus narrowbody and ATR capabilities and build its spares business.

A co-operative deal with Coopesa of Costa Rica will provide Boeing 757 maintenance for CIS customers that could not be quickly established in Vilnius, and Butautis plans to apply that business model, or variations, elsewhere.

He explains: "We had 757 customers at Vilnius asking 'what do we do with them'? But building a hangar is long term and quite risky in terms of whether you can fill it, whereas with subcontracting you can make these deals work within two months."

With the Baltic economy not expected to recover for another two years, and then only slowly, FL Technics is bound to benefit from low labour costs. Already at capacity, it plans to grow its 300-strong workforce, partly by tapping its networks in the CIS, such as Ukraine, for qualified staff which it can deploy throughout Europe.

"We will have low costs for at least five years where it is significant - for example 40% or 50% below the competition. Then for another four or five years we will still have an advantage," says Butautis.