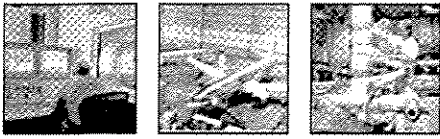


SFGate.com

Airline maintenance comes under scrutiny Carriers express confidence in outsourced work

David Armstrong, Chronicle Staff Writer
Friday, April 27, 2007



Whether it's competition over fares, routes, in-flight amenities or labor contracts, the business of aviation is often a dogfight. Now there's a tussle taking place largely out of public view over whether the steadily increasing outsourcing of aircraft maintenance -- especially to overseas locations -- constitutes a public safety hazard.

Yes, it does, say the leaders of some U.S. aviation unions who claim regulators' oversight of outsourced maintenance is not tight enough, especially at overseas repair stations. Members of the unions do work that ranges from checking landing gear and testing jet engines to completely tearing down and rebuilding planes.

No, it doesn't, say major U.S. carriers who use what they say are high-caliber contractors to handle major assignments, after employing a complex formula to determine what work is outsourced and what stays in-house.

In 2005, nine major U.S. carriers outsourced 62 percent of the \$5.5 billion they spent on maintenance, up from 37 percent in 1996, according to the Transportation Department.

The nation's airlines have outsourced maintenance for years, but the need to cut costs and streamline operations in recent years has pushed money-losing carriers to forgo doing most maintenance work at their owned-and-operated depots in favor of contracting with third parties. In the first three quarters of 2006, the amount of outsourced work hit 64 percent, an all-time high.

Outsourcing accelerated after the 2001 terrorist attacks, and a recession early this decade contributed to the \$40 billion in losses reported by U.S. carriers. To cut their losses, the airlines slashed 130,000 jobs, including thousands of highly skilled and well-paid aircraft mechanics. Early this month, the Aircraft Mechanics Fraternal Association said the number of mechanics and related workers it represents at United Airlines has fallen to 5,600, from 15,000 in 2001.

The nation's airlines also have sought to cut costs by squeezing concessions from remaining workers, reducing the number of flights, parking unused planes in the desert -- and sending work to independent U.S. and overseas repair stations.

Shortage of inspectors

Like the airlines' maintenance bases, these foreign and domestic repair stations are certified by inspectors from the Federal Aviation Administration.

However, last month, Calvin Scovel, the Transportation Department's inspector general, told Congress that the FAA's safety inspection regime is riddled with flaws that weaken its oversight of repair stations, both at home and abroad.

"The issue is not where maintenance is performed, but that maintenance requires effective oversight," Scovel said.

As part of its standard procedures, the FAA requires air carriers to oversee their third-party contractors. The FAA also sends staff inspectors to tour domestic and overseas stations, observe their work, question workers and supervisors and review the airlines' audits. Station managers receive verbal feedback and a letter when corrections are needed. According to the agency, "The FAA does at least one comprehensive, in-depth inspection every year at each repair station inside the United States."

Nevertheless, Scovel recited a litany of criticisms to Congress: The FAA doesn't have enough inspectors to do the job; inspectors don't visit stations often enough, especially overseas, in part because the FAA's travel budget is too small; the agency inexplicably pays much closer attention to the airlines' maintenance bases than to distant overseas contractors. U.S. carriers even use repair stations at home and abroad that have not been certified by the FAA, Scovel said.

There are 4,227 U.S. aircraft repair stations and 694 FAA-certified foreign stations, according to the FAA, which employs 3,865 safety inspectors. On March 29, the same day Scovel testified, the FAA issued a fact sheet touting "tough FAA standards for 'outsourced maintenance' and posted it on its Web site, www.faa.gov.

It didn't address another potential problem the inspector general raised. Scovel told Congress that 44 percent of FAA inspectors are eligible to retire by 2010, and questioned whether the agency's request for funds to hire 203 safety inspectors in fiscal 2008 is sufficient to offset retiring staffers.

Aircraft maintenance is fast becoming an issue on Capitol Hill, where Congress will be asked this year to reauthorize the FAA's existence for four years. The agency's authorization expires Sept. 30.

"We're going to make sure that more money is appropriated to hire inspectors," said Rep. James Oberstar, D-Minn., who chairs the House aviation subcommittee. "We have to make sure that this maintenance and repair work is being done right."

Complex issue

Foreign repair stations have also attracted congressional attention. Last week, several members of the House introduced HR1981, which would direct the FAA and Transportation Security Administration to impose tightened security rules and audits on foreign repair stations.

But the Air Transport Association, and airlines themselves, say the maintenance picture is both more reassuring and more complex than critics would have it.

For example, United Airlines, the world's No. 2 carrier by passenger traffic, does much of its maintenance in-house, outsources some work and takes in some work.

United operates its largest maintenance base near San Francisco International Airport. It employs 3,000 workers and specializes in overhauling jet engines and working on landing gears, said United media relations manager Megan McCarthy. In addition to working on its own planes, United repairs and maintains aircraft for Air China and Korean Airlines at the SFO plant, McCarthy said.

According to McCarthy, the airline outsources work to bases in the United States and in foreign countries. Boeing 777s are sent to China for service. Boeing 747s go to Pusan, South Korea, where they are maintained by Korean Airlines, which United also counts as a customer in San Francisco.

Local 9 of the Aircraft Mechanics Fraternal Association, which represents United mechanics, recently cited an independent audit showing that the carrier outsources 30 percent of its maintenance -- above the 20 percent cap agreed to in union contracts. But United, using other formulas, said the figure is an allowable 16 percent.

An unspecified amount of United's maintenance is done outside the United States. United has full confidence in the work, McCarthy said. "Safety is our No. 1 priority."

By contrast, American Airlines, the world's largest airline, has kept nearly all of its maintenance -- including all of its heavy maintenance -- in the United States. Additionally, the carrier has retooled its primary maintenance facility in Tulsa to work on planes for clients such as Allegiant Airlines and North American Airlines, as well as its own planes.

'Going for \$90 million'

American's maintenance division, once a cost drain, now makes money, says Carmine Romano, American's vice president for base management at the Tulsa base. American employs 7,000 workers there, which it says is the world's largest aircraft repair station.

"Last year, Tulsa brought in \$35 (million) to \$40 million in revenue," Romano said. "For 2007, we're going for \$90 million."

American has said it plans to invest up to \$100 million in its maintenance operations, a move made

possible because it has returned to profit. Parent company AMR Corp. earned \$81 million in the first quarter of this year, its fourth consecutive profitable quarter, following layoffs in 2003 and \$8 billion in losses from 2000 to early 2006.

U.S. airlines are sensitive to charges that they risk cutting corners on safety when they expand outsourcing. But the carriers say the work can be, and is, done well by trained contractors at high-tech overseas hubs such as Germany and Singapore.

"Commercial airlines have utilized contract maintenance for decades," said Basil Barimo, vice president of operations and safety at the Air Transport Association, last month. "Critics of contract maintenance argue that if airlines don't perform all of the maintenance themselves, then they can't be safe. Independent data from the National Transportation Safety Board proves them wrong."

According to statistics cited by Barimo, maintenance-related accident rates by U.S. carriers have fallen from 0.5 per 100,000 departures in 1997 to virtually zero since 2004, even as outsourcing has soared. "U.S. air carrier accidents are rare and random," he said.

E-mail David Armstrong at davidarmstrong@sfnchronicle.com.

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/04/27/BUGPFPG1HT1.DTL>

This article appeared on page **D - 1** of the San Francisco Chronicle