

NEWSLETTER

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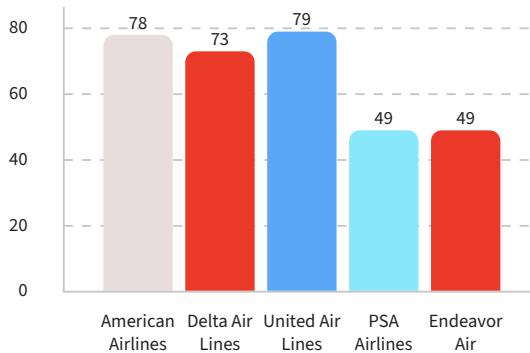


Labor Cost and Labor Efficiency

Labor Trends You Can't Ignore

Labor Cost

Airline AMT Wage + Burden Rate Comparison



We often hear people speak about the cost of labor. However, the cost of labor to an organization is more than an hourly wage rate. FAA and BTS data suggests the burden rate, is an additional 30% for large carriers and 22.5% for regional carriers. Large carriers' AMT wage rates are in the \$50-\$65 range with regional carriers \$35-\$45.

Lost Revenue

In this complex environment, determining how to allocate resources is a challenge. With AMT's performing revenue generating tasks of \$200/hr or more, managers often must balance skill sets, timelines and availability. Industry forecasts indicate a North American shortage of 20,000-25,000 AMTs in 2025, escalating to over 40,000 by 2027.

Rising Levels of Air Traffic & Fleet Use

Air traffic is growing again strongly, and planes are being used more intensively — meaning more maintenance is needed. Oliver Wyman projects that aviation's MRO (maintenance, repair, and overhaul) industry will continue expanding, with labor shortages and material constraints among top disruptors. Meanwhile, the global MRO market is large and growing. According to one market analysis, it's projected to grow at about 2.7 percent annually through 2035, fueled by increased aircraft utilization, aging fleets, and inflation in labor and material costs. The aging fleet is a major driver: older aircraft require more frequent and heavier maintenance checks (C-checks, D-checks, engine overhauls). A recent crash of a UPS MD11 in Louisville, KY, sparked concerns over the age of those aircraft, with UPS and others grounding those planes.

At the same time, new-generation aircraft are entering service with higher reliability, meaning they may require fewer maintenance interventions over time. The future looks like a mix of opportunity and risk. On the opportunity side:

1. Strong job prospects — Given the projected shortfall, AMTs entering the workforce today are likely to find very good career stability, good pay, and strong demand...

2. Growing training infrastructure — With more AMT school enrollment and a push to recruit groups like veterans), the pipeline is improving.

3. Technological evolution — Predictive maintenance (using AI, IoT sensors, data analytics) is being adopted by more MRO providers..



LABOR EFFICIENCY

For the purposes of this article, let's talk about 2 things. At an estimated revenue rate of \$200/hr and a total cost of \$78/hr airlines look at approximately \$122/hr profit per AMT. Additional costs must be taken out of this profit for overhead expenses, management, equipment, hangar cost, parts, etcetera.

Managers for the most part can not control the bulk of the overhead expenses. But they can affect the efficiency of AMT labor. Proper tools, equipment and limiting work based injuries become paramount. Efficiency of accessing hard to reach areas, trimming a few hours from each job can have a big effect at the end of the year.

NTSB: Brake Work Error Caused American Airlines 737 Overrun

Article by Sean Broderick - Aviation Week Network

Boeing and American Airlines changed maintenance instructions and related guidance for certain wheels and brakes tasks following an American Airlines 737-800 overrun traced back to maintenance errors during a brake system upgrade, an NTSB report reveals.

The February 2024 incident occurred at Dallas-Fort Worth International Airport (DFW) when Flight 1632 arrived after a routine flight from Ronald Reagan Washington National Airport. The pilots touched down on DFW's Runway 17 Left, but the 737-800's autobrakes, which were armed for landing, deactivated, the report said.

<https://aviationweek.com/air-transport/safety-ops-regulation/ntsb-brake-work-error-caused-american-airlines-737-overrun>

Full article:



Photo Credit: NTSB

AMT Shortage Industry Impact

Shortages have caused 10–15% less maintenance work completed per technician compared to pre-pandemic levels, leading to aircraft delays, cancellations, and higher costs for spare parts/fleets. Regional and low-cost carriers (e.g., Spirit) feel this most acutely.

Welcome to our SAS Newsletter

SAS is a custom design and manufacturing group that provides aircraft maintenance stands and platforms for commercial aviation and defense applications. This newsletter comments on trends within the MRO industry, related to how they may impact providers like us and others. Look for our newsletter the 1st and 3rd Friday each month.