



Vancouver firm finds niche in airline industry; Communication

Brian Truscott

Dow Jones

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The airline industry isn't well-known for its vertical integration, as airlines focus on delivering passengers and let others worry about assembling aircraft, designing operating systems and building engines.

Enter AeroMechanical Services Ltd., a Venture-listed company that is all about providing aeronautical-monitoring products to help airlines save on costs and predict mechanical and operational hiccups before they occur.

"We've developed a patented product which goes on an aircraft, collects information, summarizes it in small data packets and sends it through the (satellite-based) Iridium network to servers," said Bill Tempany, chief executive and chairman. The server takes those small packets of data and converts them into information that an airline needs, based on when and where it wants that data delivered.

"Everything that's collected on the aircraft is managed by the customer through the Internet, so that they can send certain reports to certain people at certain times of the day," he said.

Although this sounds somewhat esoteric, the on-the-ground applications are obvious. Once the maintenance or operations control centre for the airline gets the information, it can manage the aircraft asset to improve its financial and operational performance.

"If there's something that needs to be done on the aircraft on the ground when it gets to its next destination, the airline can have the right people at the right place with the right parts to get something fixed," Mr. Tempany said. "If there's something that needs to be changed on the aircraft or if there's an alternative destination, whatever it happens to be, the centre can communicate with the crews regardless of where they are on the planet, to get that information to crews either by e-mail, through an electronic flight bag in the cockpit, voice communication through the Iridium phone system, built into our system; or even, in the case of a couple of our customers, with a button the pilots can push that tells the operations centre it should be looking for certain data about that specific aircraft."

Aeromechanical Services calls this product its Automated Flight Information Reporting System, or AFIRS UpTime. "It's a solution that gives the airline access to the operational parameters and the maintenance concerns of the aircraft 100% of the time, anywhere on the globe and allows communications between the airborne and ground crews for whatever they need, to make sure that the airline operates more efficiently," Mr. Tempany said.

The nine-year-old firm started small, working with regional airlines that didn't have infrastructure either on the ground or on the aircraft to effectively communicate. The fledgling system was designed to keep track of the operational, or push-back, times for an aircraft, which is important in keeping the aircraft in the air, scheduling regular maintenance, calculating leases and tabulating the cost of crews.

The company has supplemental type certificates for its AFIRS system on a wide variety of aircraft, everything from Boeing 737s, 757s, 767s to Dash 7s, 8s and the Bombardier CRJ 100, 200 and 400. The current push involves the business-jet market, which Mr. Tempany said is the fastest growing segment of the airline industry.

"There are huge concerns, globally, about the amount of time it takes to fly commercially, and more and more companies are turning to corporate aviation or time-share aircraft," he said.

Financially, the company is sitting on \$4-million of working capital and expects to go cash-flow positive this year, as installations continue to go smoothly, Mr. Tempany said.

There is one downside, which has created a significant overhang in the stock price. Rival Star Navigation Systems Group Ltd. has filed a Canadian lawsuit as well as a U.S. patent-infringement lawsuit against **Aeromechanical** Services.

The U.S. Patent Office has said it will review Aero-Mechanical's patent for possible infringement. "We're adamant [these] are frivolous lawsuits; they aren't effectively competing with us in the commercial market so they're trying to compete with us in the courts," Mr. Tempany said. "Our patents are distinct, and, at the end of the day, we will be victorious in the courts as we are in the marketplace."

Analysts agree, although the consensus is it will take two to three years for the legal brouhaha to be cleaned up. "We believe **AeroMechanical**'s patent will be upheld by the patent office, and once this occurs, it will remove a large overhang on the firm," said Research Capital analyst Jacques Kavafian in a recent note.