

Calgary firm offers carriers plan to save fuel

UP TO 5% REDUCTION

AeroMechanical hopes program will put it on the map

The record-setting spike in jet fuel prices this year has taught some tough lessons in fuel management to carriers around the globe. Dozens were permanently grounded by their soaring fuel bills, while many more just managed to scrape by this summer after implementing aggressive cost-cutting initiatives.

Even though the price of fuel has subsided, these efficiency drives continue, in part to help carriers brace against the decline in demand expected in the latter half of the year due to the downturn in the economy, but also to help buffer against the potential of another spike in the price of fuel.

To this end, a small Calgary-based aviation systems company, hopes its new fuel-management program, unveiled last week, will help put it on the map by promising up to an additional 5% savings on the fuel bills of airlines.

That figure might not seem impressive on the surface, but Richard Hayden, AeroMechanical chief executive, notes a 5% improvement could easily translate into savings of up to US\$250,000 annually for every plane in their fleets.

Essentially, what the program does is collects data on the airline's fuel-saving initiative — from taxiing with one engine to changing landing procedures — to ensure the most-effective practices are being used on each plane on each route to maximize savings. It then quantifies just how much has been saved by each measure.

"There is no data-driven product out there," Mr. Hayden said. "All the competing services are open loop — meaning people say 'Do this,' but you don't have any way of measuring whether its actually done and what the effect would be. The data closes the loop."

Canadian charter airlines Skyservice Airlines and Canadian North have been using AeroMechanical's new Fuel Initiative Reporting System Tracker as part of their broader fuelmanagement programs and confirm the types of savings promised by the company.

Jacques Kavafian, Research Capital analyst, says the new system could prove an important driver of AeroMechanical's revenue, but may also raise the profile of the company beyond the 30 or so clients it now holds.

"Airlines have been shocked by the spike in fuel prices this past summer, and many are taking steps to protect against future spikes in prices," Mr. Kavafian said in a note to clients, adding he has a "buy" rating on the stock. "So far, airlines have addressed the low hanging fruit.... With this program, AeroMechanical will offer additional fuel savings."

Mr. Kavafian has a 12-month price target of \$1.60 a share on AeroMechanical. The company's shares closed yesterday at 19¢ on the Toronto Venture Exchange.

"AeroMechanical is a very earlystage growth company and, as such, earnings estimates do not yet reflect its full potential," Mr. Kavafian added.