



2016 Top Markets Report **Aircraft Parts** Country Case Study

Germany

Germany ranks fourth in the aircraft parts top markets study, immediately behind the United Kingdom and ahead of Canada. Major opportunities for U.S. exports of aircraft parts are to large tier 1 aircraft component manufacturers, Airbus, and Lufthansa Technik (a leading MRO provider).

Overall Rank

4

According to the German Aerospace Industries Association (BDLI), revenues of the Germany aerospace manufacturing industry reached €32.1 billion (\$42.6 billion) in 2014, a 4.9 percent increase over the 2013 figure. By comparison, the revenues of the U.S. aerospace manufacturing industry increased at roughly the same rate, 4.1 percent, during the same period. The 2014 growth rate in the German industry follows the growth experienced in earlier years, according to BDLI: 7.8 percent in 2013, 10.3 percent in 2012, and 4.1 percent in 2011.

It is difficult to determine the extent to which aircraft parts comprise the output of aerospace products in Germany. The German Aerospace Industries Association data categorizes output by “aerospace and space systems, propulsion systems, equipment, and material technologies.”

Based on United Nations trade data, the value of all U.S. aerospace exports to Germany has fluctuated significantly over the past 10 years, while U.S. exports of aircraft parts have risen fairly steadily. The proportion of total U.S. aerospace exports to Germany comprised of aircraft parts rose from 25 percent in 2004 to 47 percent in 2013.

The extent to which the increase in U.S. aircraft parts exports to Germany reflects an increase in German demand is not clear. Some of the increase can be attributed to the expansion of an Airbus aircraft manufacturing facility in Hamburg in the mid-2000s for the purpose of assembling A380 fuselage sections as well as completing cabin interiors for A380s delivered to customers in Europe and Middle East.

Increased demand for deliveries of A320 family aircraft may have played a role as well, given the assembly of that aircraft in Hamburg. In addition, the Hamburg facility is a global distribution center for Airbus aircraft spare parts with a stock of some 120,000 different types of parts. Because of the extent that these various activities shifted the demand for aircraft parts from other Airbus locations (notably Toulouse), it would appear that the increase in U.S. exports may have occurred whether or not the activities in Hamburg were expanded, with the U.S. exports going instead to alternative locations like Toulouse.

Challenges and Barriers to Aircraft Parts Exports

The most important regulatory hurdles facing U.S. aircraft parts exporters to Germany concern EASA.



These hurdles are discussed in this report's *Overview and Key Findings* section, under *Challenges and Barriers*.

Opportunities for U.S. Exporters

In addition to the challenges, the regulatory environment benefits U.S. exporters of aircraft parts in several ways:

- **Duties** - Germany, as an EU Member State, and the United States are both bound to provide duty-free entry to some 250 specified civil aircraft parts under the WTO Agreement on Trade in Civil Aircraft. In addition, Germany (and other EU Member States) provides duty-free entry of other aircraft parts under an EU temporary duty suspension that took effect in 2002. It appears that there are no plans to end the suspension.
- **Bilateral Aviation Safety Agreement (BASA)** - While there are certain difficulties associated with EASA approval of U.S. aircraft parts (noted above), the implementation in 2009 of the U.S.-EU BASA institutionalizes transatlantic efforts to harmonize aircraft safety standards, with the goal of reducing the need for duplicative regulatory oversight. Under the BASA, certain aircraft parts approved by the FAA may be exported to Germany with no EASA approval required.
- **"Parts Manufacturer Approval" parts** - The United States is unique in allowing the production of aircraft parts under an FAA authority known as "Parts Manufacturer Approval," or PMA. In connection with after-market use, PMA

parts can provide significant advantages over OEM parts to aircraft operators

and MRO shops. Because there is no equivalent to PMA parts in Europe, German customers seeking to use PMA parts must buy from U.S. suppliers.

The Commercial Service in Germany has identified engine parts, airborne equipment and systems, aircraft interiors, pilot controls and avionics, composite materials, structural components, forgings, and fasteners as the best prospects for U.S. aerospace exports to Germany. Potential customers include major German Tier I suppliers and systems integrators such as Diehl Aerosystems, Liebherr-Aerospace Lindenberg, MTU AeroEngines and Premium AEROTEC, as well as the large German MRO provider, Lufthansa Technik. In general, U.S. suppliers of aircraft parts seeking to sell to Airbus are encouraged to contact Airbus North America in Herndon, Virginia.

Trade events relevant to the German market include:

- Aircraft Interiors Expo 2016, Hamburg;
- AERO 2016, Friedrichshafen;
- ILA Air Show 2016, Berlin; and
- AIRTEC 2016, Munich.

Under a Market Development Cooperator Program partnership with the U.S. trade association representing PMA parts manufacturers, ITA is co-hosting a PMA conference in Madrid scheduled for May 2015. A major objective for this event is to attract European airlines, including those from Germany, as potential customers. The trade association, the Modification and Replacement Parts Association, is working closely with the Association of European Airlines to frame the conference agenda.