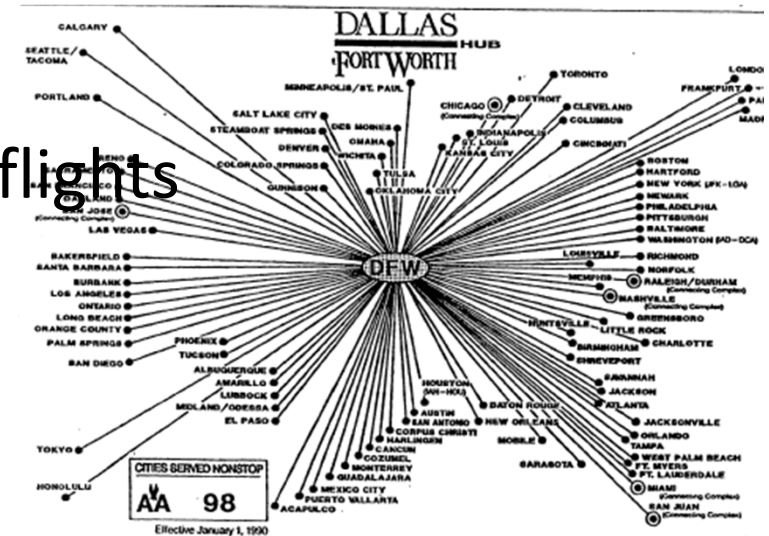


Case Study

- A real problem
 - Old but still relevant
- American Airlines
 - DFW hub
 - Last bank of flights in the day
 - Internal company dispute about what to do with these flights
 - Keep?
 - Cancel?
 - Re-time?



The challenge

President Robert Crandall is aware of the disagreement surrounding the 12th complex and will be looking for some sort of resolution or explanation at the July 14 Officers Planning Meeting, when the schedule objectives for the September 12th schedule will be presented to upper management. Develop an analysis, with recommendations for schedule action, for presentation to Crandall.

Some new concepts

- ***Added utilisation trips***
 - An aircraft that would have spent the night at Dallas, is now used for a flight, and overnights at that point, returning to Dallas very early in the morning
 - The return flight the next morning is a “***balance trip***”
- ***New business***
 - When a flight is added, the additional passengers that will fly. The flight will have passengers diverted from other flights and new passengers

Some new concepts

- ***Variable contribution***
 - Flight revenue minus variable expenses
 - VE = fuel, labour, etc.
- ***Fully allocated contribution***
 - Flight revenue minus variable expenses and minus a portion of the airline's fixed expenses such as depreciation.

Some new concepts

- ***Onboard revenue***

- Revenue from local customers
- Plus a portion of the revenue from through and connecting customers
 - Suppose a connecting passenger's ticket is \$800.
 - Ticket has 2 segments:
 - Segment 1: 750 miles
 - Segment 2: 250 miles
 - Allocate \$600 to segment 1
 - $\$600 = 800 * 750 / (750+250)$

Some new concepts

- ***Upline/downline revenue***

- Revenue from the connecting flight segments for through and connecting customers

- Suppose a connecting passenger's ticket is \$800.

- Ticket has 2 segments:

- Segment 1: 750 miles

- Segment 2: 250 miles

- Allocate \$600 to segment 1 (onboard revenue)

- $\$600 = 800 * 750 / (750+250)$

- \$200 is upline/downline revenue

- The other revenue we get from this ticket

- This revenue *might* be lost if the flight is cancelled

The case has something for everyone

- No hints are provided