

MonteCristoAir

Department Primer for: Operations

At MonteCristoAir, the Operations Department includes the following functions:

- Flight Operations
- Maintenance Engineering
- Information Technology
- Fuel Conservation

Responsibilities include:

- Monitoring the performance of the airline's operational assets including aircraft utilization
- Operating cost analysis, airplane economics, and maintenance of existing aircraft and evaluation of new aircraft

Departmental Perspective on the Challenges and Opportunities

We are the department often caught in the middle. We are told to increase utilization rates and improve customer service, while reducing operating costs. How are we supposed to do all of that at once?

It's the ever-rising cost of fuel that is our main cost driver, and we have no control over that.

Our safety record has been very good, but that is only because we invest in maintenance and training at our Sandytown facility. We provide all of our own maintenance, except for 767 engine overhauls. Our fleet is older now, and becoming more costly to maintain.

Customer Service is good, mostly due to our great staff. They really are our greatest asset.

Marketing wants a diverse fleet to match market needs, but do they realize there are additional costs associated with that? If we had just two types of airplanes—a twin aisle for international routes and a single aisle for domestic, we could, as we grow and add to the fleet, begin realizing economies of scale.

We definitely need new aircraft that can better handle the high altitudes of our mountainous region—that's a region with a rapidly growing tourism industry for outdoor enthusiasts in winter especially, but also summer. If we want to compete against those low cost carriers, we have to have the right aircraft for the missions we want to fly.

Specific Departmental Assignment:

In addition to the items stated in the MonteCristoAir overview, by the end of the training program you should also incorporate ideas into the final presentation to address the following:

- How to improve fuel efficiency
- Fleet proposals that provide for efficiencies of scale (i.e. increase commonality)

MonteCristoAir



Internal Company Document

MonteCristoAir Operating Statistics

	2009	2010	2011	2012	2013	2014
B737's in service	4	4	4	6	6	6
B737's out of service	0	0	0	0	0	0
Total B737's	4	4	4	6	6	6
MD80's in service	4	4	4	4	4	4
MD80's out of service	0	0	0	0	0	0
Total MD80's	4	4	4	4	4	4
B767's in Service	2	2	2	2	2	2
B767's out of Service	0	0	0	0	0	0
Total B767s	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Fleet	10	10	10	12	12	12
Departures	16,850	16,850	16,850	20,540	20,540	20,540
Passengers	1,598,471	1,686,387	1,816,238	1,956,089	2,106,708	2,275,244
RPKs (000)	2,009,792	2,120,331	2,283,597	2,459,433	2,648,810	2,860,715
ASKs (000)	3,532,059	3,532,059	3,532,059	3,838,629	3,838,629	3,838,629
Block Hours	30,319	30,319	30,319	34,129	34,129	34,129
Average Fare	\$173.46	\$174.89	\$179.15	\$183.42	\$191.95	\$191.95
Load Factor (%)	56.90%	60.03%	64.65%	64.07%	69.00%	74.52%
Average Employees	1,713	1,689	1,717	2,094	2,174	2,237
Block hrs /day/ac	8.54	8.54	8.54	8.01	8.01	8.01

MonteCristoAir



E-mail Message

From: E.B. Masters, Chief Executive Officer

To: Operations Department

Subject: **Flight delays**

I've just read reports showing that the dispatch reliability of our single aisle operations is lower than that of our new competition. This not only increases our operating costs, it also significantly increases the risk to our brand. We are losing customers. This cannot continue!

Aside from bad weather, the majority of delays seem to be caused by maintenance issues and inefficiencies on the ramp.

What can we do to reduce our turn-around times?

How can we increase operating efficiencies?

E.B.



Pepperz International Airport

From: John Sowers, Vice President of Operations, PPZ International Airport

Action Item for: MonteCristoAir Operations Department

Subject: Air Traffic Services Planning

As you may be aware, my team here at Pepperz has recently begun looking into upgrading our ATM systems. This can help us deliver to MonteCristoAir and other airlines increased efficiency, reduced flight delays, reduced flight cancellations, and communicated airline passenger dissatisfaction. Preliminary discussions have indicated the potential to reduce fuel burn by up to 5% in the air, and 11% on the ground. In addition, this efficiency may allow more total airport capacity for additional routes and reduce noise for those living around the airport.

The required investment principally takes the form of on-the-ground hardware improvements, equipage on the airplanes, plus the training and implementation to make the hardware effective.

We would like to invite you to meet with us and consultants from Boeing that will be presenting to us on the topic. They primarily intend to discuss Required Navigation Performance (RNP) implementation (procedures, training, modifications, application & support) and Tailored Arrivals implementation management.

Please prepare 3-5 talking points on your thoughts and priorities as we consider this opportunity.

Thanks,

John