

MonteCristoAir

Department Primer for: Regulatory & Environmental Affairs

At MonteCristoAir, the R & E Department includes the following functions:

- Alliances / Corporate Development
- Government Affairs; State and Civic Affairs
- Counsel
- Advocacy
- Corporate Real Estate
- Environmental Affairs and Compliance

Responsibilities include:

- Negotiation of bilateral agreements and open skies
- Development of strategic and commercial alliances or affiliations with other airlines (i.e. code-sharing, marketing, maintenance, and so on) and entities (hotels, rental car companies, banks)
- Analyzing impact of aviation and environmental regulations (including noise and CO₂ emissions)

Departmental Perspective on the Challenges and Opportunities

De-regulation created both new opportunities and new challenges. The government sees us as one of the key businesses that can help spur economic growth in Monte Cristo. We have been working closely with the State Department on developing strategies to forge Open Skies agreements with the U.S. and EU. It will happen sooner than some might think and Marketing needs to accept that reality. They have expressed fears about us not being “well positioned” for the additional competition.

Our electronics industry is booming, wine exports are on the rise, business travel is up, and people from other countries have heard about our terrific beach and ski resorts. We need to be “well-positioned.”

Travel between our country and mainland China is on the increase, but we don’t serve any business centers there. Our flights to Ascetes (ASC), a popular resort destination in Southeast Asia, are profitable. Perhaps we can take advantage of the good connecting service to major Chinese cities from there.

We do face important regulatory challenges when it comes to emissions and noise. People in our own country, as well as the rest of the world, are increasingly concerned about the environmental effects of climate change. While our industry makes up a small portion of CO₂ emissions, we need to join the global aviation community in taking a pro-active stance on addressing these concerns. If we don’t, we may end up with costly regulations across the globe.

Our department is committed to continuing to work closely with our own government and to represent our company in the global aviation community with regards to regulations. We need MonteCristoAir’s leadership team to commit to the types of investments that will help us be a major global player.

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 presentations to address the following:

- Open Skies and Alliance (or Code Share) agreements desired/needed
- Fleet proposals that address noise and emission reduction needs

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E-mail Message

From: E.B. Masters, Chief Executive Officer
To: Regulatory and Environmental Affairs Department
Subject: [Defining our strategy and business model](#)

Team, it is time to rethink our airline's strategy from the ground up. In doing so, we need to be creative while still being realistic on what is possible to achieve.

First, it starts with the customer. We have many basic questions to answer. What do customers want? How do they define value? Are they willing to pay for it? Can we deliver? Even better: can we over-deliver? How? Where should our focus be? Our goal should be to delight the customer. Given that, what's the best way to use our limited resources?

Our customer has straight-forward demands: "Know me. I'm unique. Meet my needs. I'm in charge!" A key element of what we sell is an experience, and this experience must meet our customers' needs. How can we remain top-of-mind with our customers?

We are facing multiple different business models from our competition: Global Network carriers, Low Cost Carriers, Inclusive Tour operators, etc. What business model should we adopt to successfully compete with our competition today as well as potential new competition tomorrow?

Would one of the proven airline business models work best for us, or could we do better by developing a new business model, or maybe a hybrid? For example, this new business model could be based upon various elements of what has been tried before, but adapted to the specifics of our market and our regulatory environment. Your goal now is to evaluate how a different business model would impact us as a company in the future, and help us achieve being the kind of airline that we can be proud of.

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Once we decide upon a business model, we need to develop an overarching strategy for success. How can we achieve what we want to be? How can we make it happen in the needed timeframe?

In your evaluation, please consider present and future regulations, bilateral agreements that exist or that could be achieved, the timeline for various open skies agreements, as well as any alliances with other carriers or other industry players that could be attractive to us.

I look forward to your suggestions and to a lively set of conversations.

EB

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E-mail Message

From: E.B. Masters, Chief Executive Officer
To: Regulatory and Environmental Affairs Department

Subject: [Partnering Strategy](#)

Deregulation is bringing new opportunities, but with limits. Also, deregulation and its opportunities come at different speeds throughout the world. Is the influence of the traditional alliances (Star, SkyTeam, oneworld) weakening? Things are changing. Examples include formerly non-aligned airlines now joining alliances and/or forming their own partnerships, airlines taking equity stakes in each other, airlines forming Anti-Trust Immunity Joint Ventures, etc. We need to understand this rapidly changing area and craft our own strategy and tactics quickly.

A key aspect that worries me is how we will be viewed by potential alliance partners. We are not large enough to be viewed as a 1st Tier alliance member. Would we be viewed as 2nd Tier? 3rd Tier? Would lower level of participation be value-added for us? What value would we bring to potential partners?

As part of our report, I want you to address what our alliance strategy should be, as well as addressing where and how we would add value to an alliance, and thus what our negotiation strategy should be as we discuss potentially joining an alliance vs other partnering choices.

Similar to many other countries, the government in Monte Cristo has been on a path towards greater liberalization of commercial air travel. With this slow but steady deregulation, MonteCristoAir is facing challenges and strategic choices. Are there reasonable opportunities for us to pursue an equity relationship with another carrier or carriers? Should we be open to allowing a competitor to purchase a stake in our airline? Should we pursue purchasing a stake in another airline? Would entering into a ATI Joint Venture make sense for us?

Remember, to customers there often seems a lack of seamlessness and efficiency with alliances. How do we manage this?

Your suggestions on these items are very important.

EB