



Maintenance Cost Management or Value Management

10th Annual Managing Aircraft Maintenance Costs Conference
Lisbon, November 25th, 2009

Welcome!

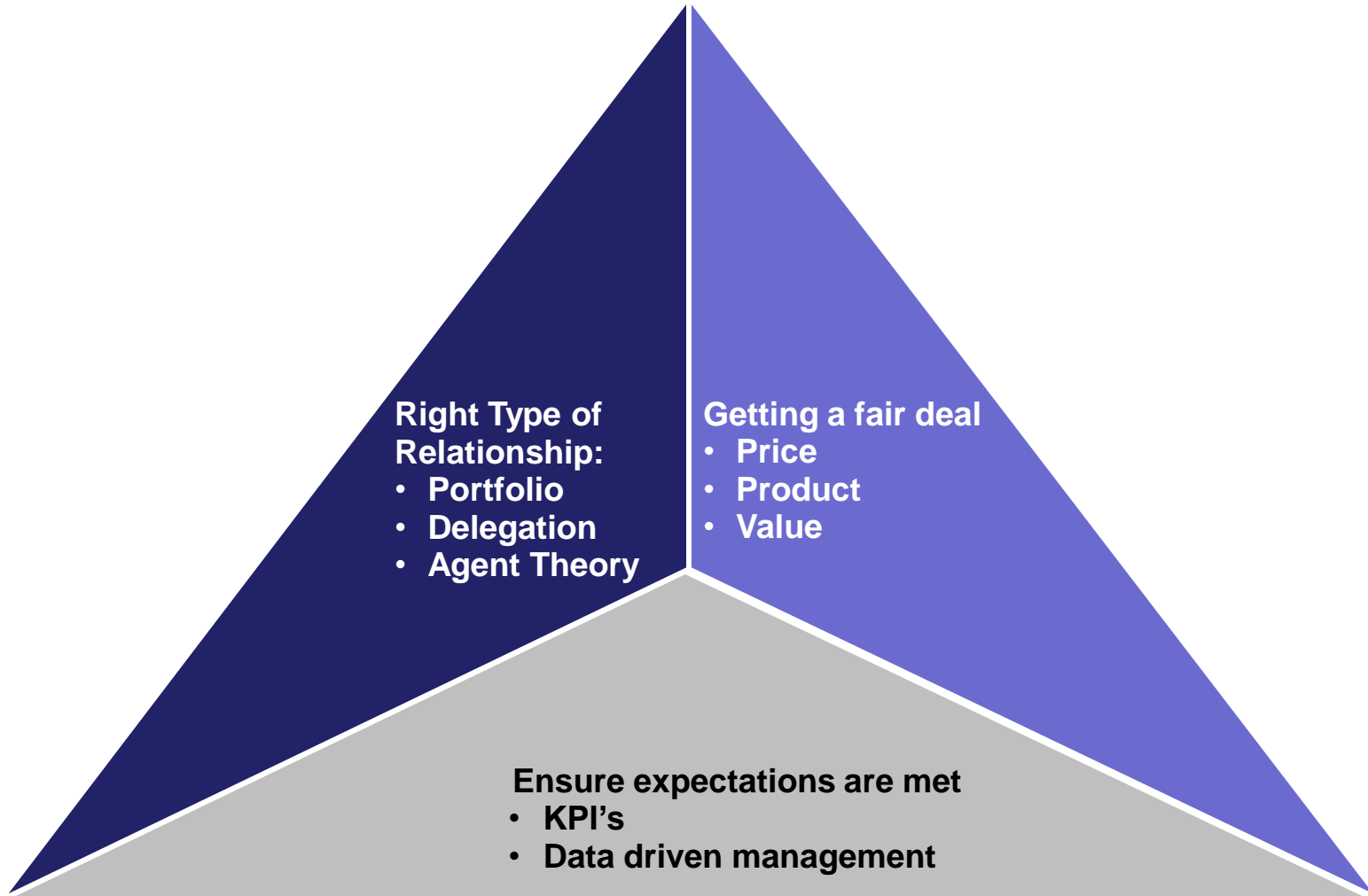
Agenda

- The relationship between a MRO provider and an airline
- The nature of relation: Strategic or not
- Responsibility, liaison and delegation of decision making
- KPI's
- Data driven management
- Summary

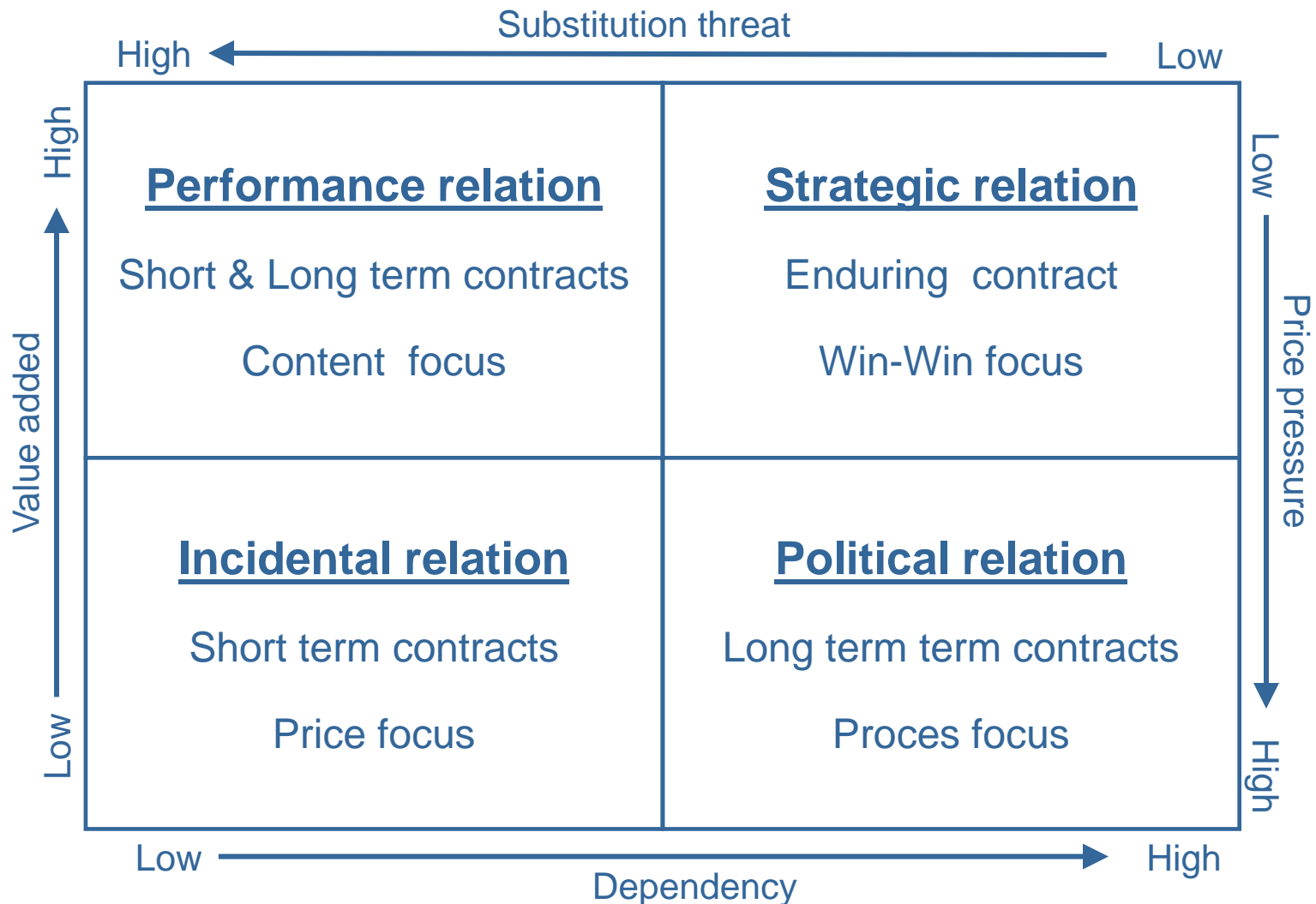
MRO's are at the hart of an airline value chain



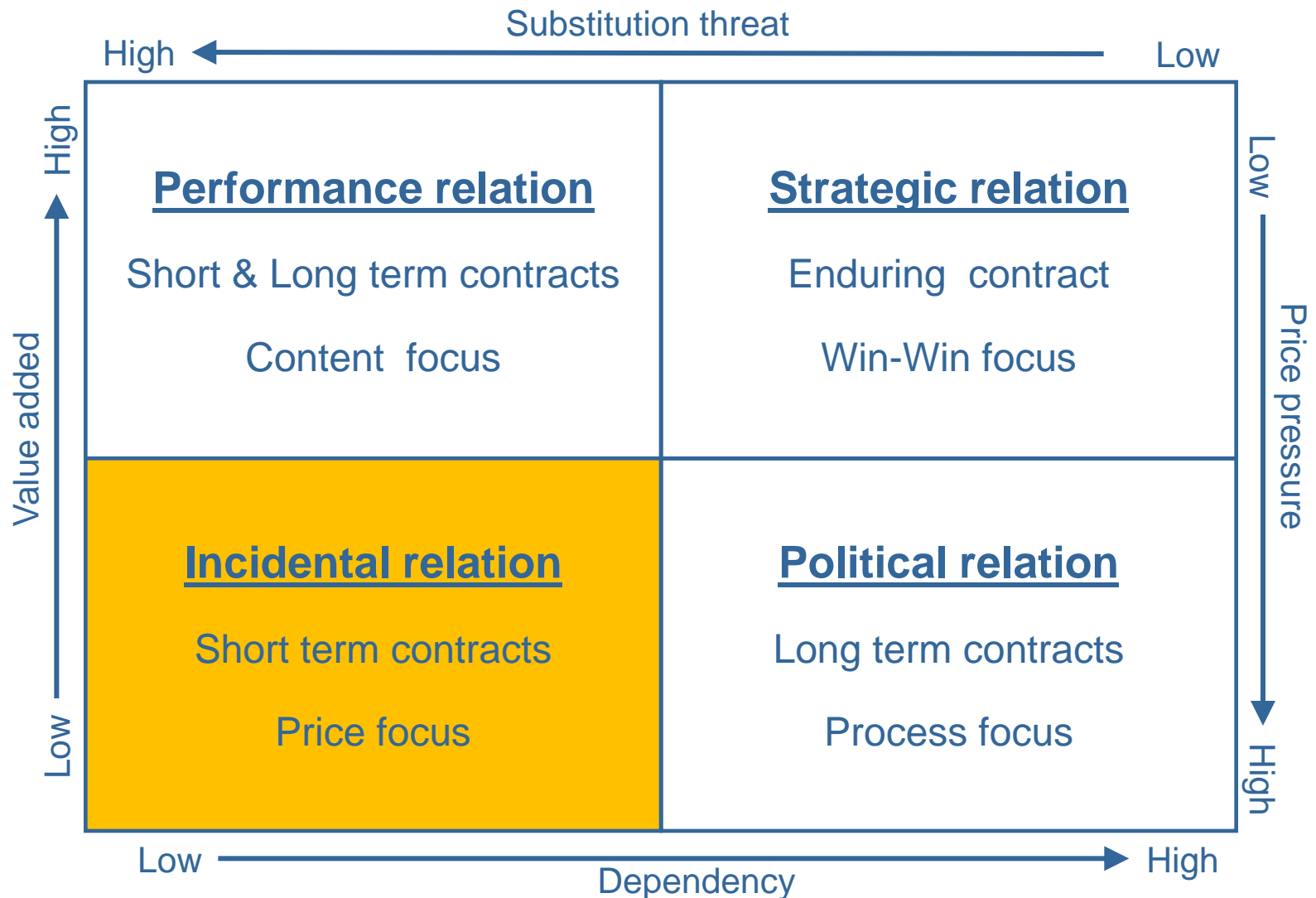
Successful Airline MRO relations center around 3 themes:



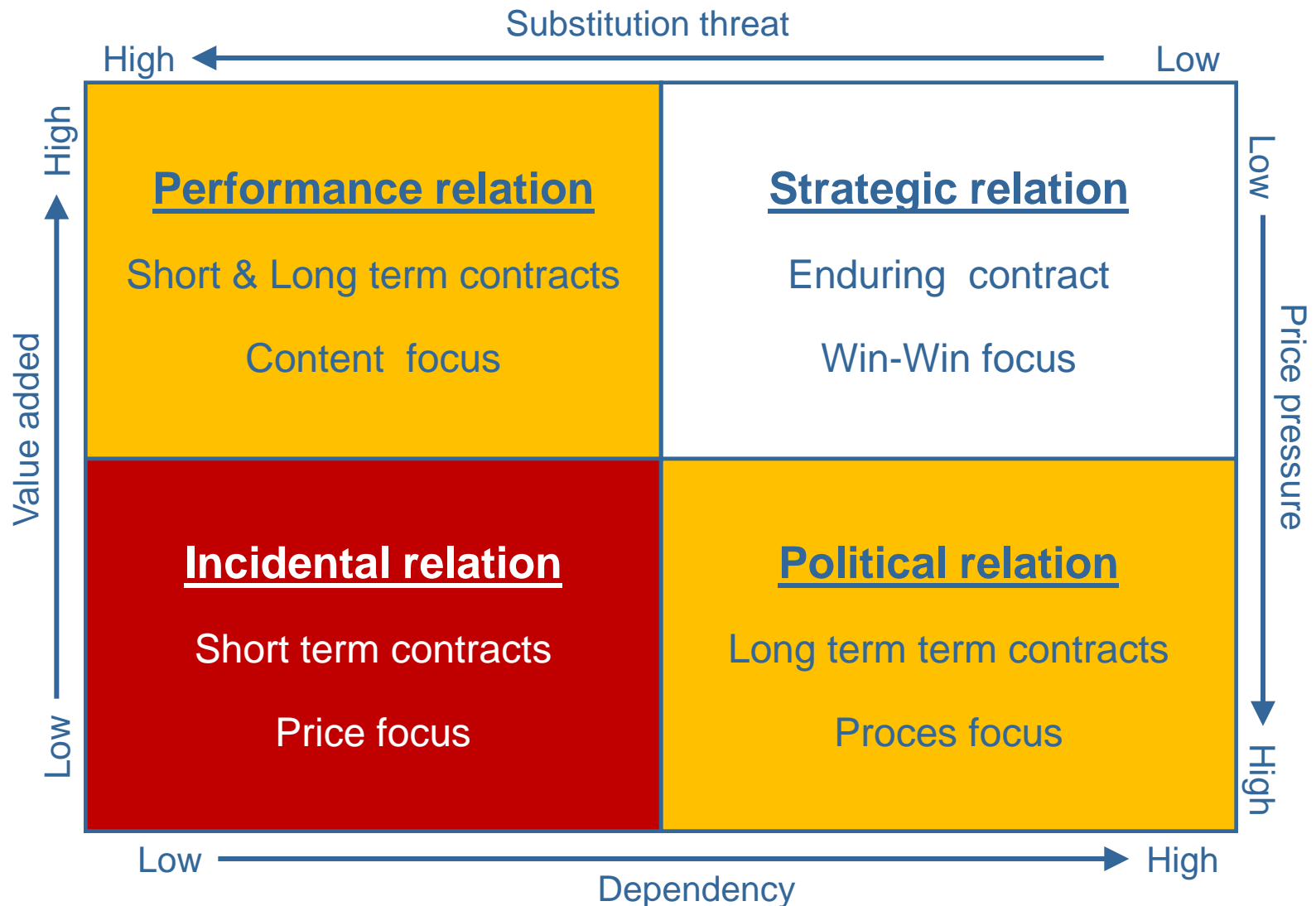
Strategic relations are attractive but hard to get



In a buoyant market the risks for each relation type are relatively low...

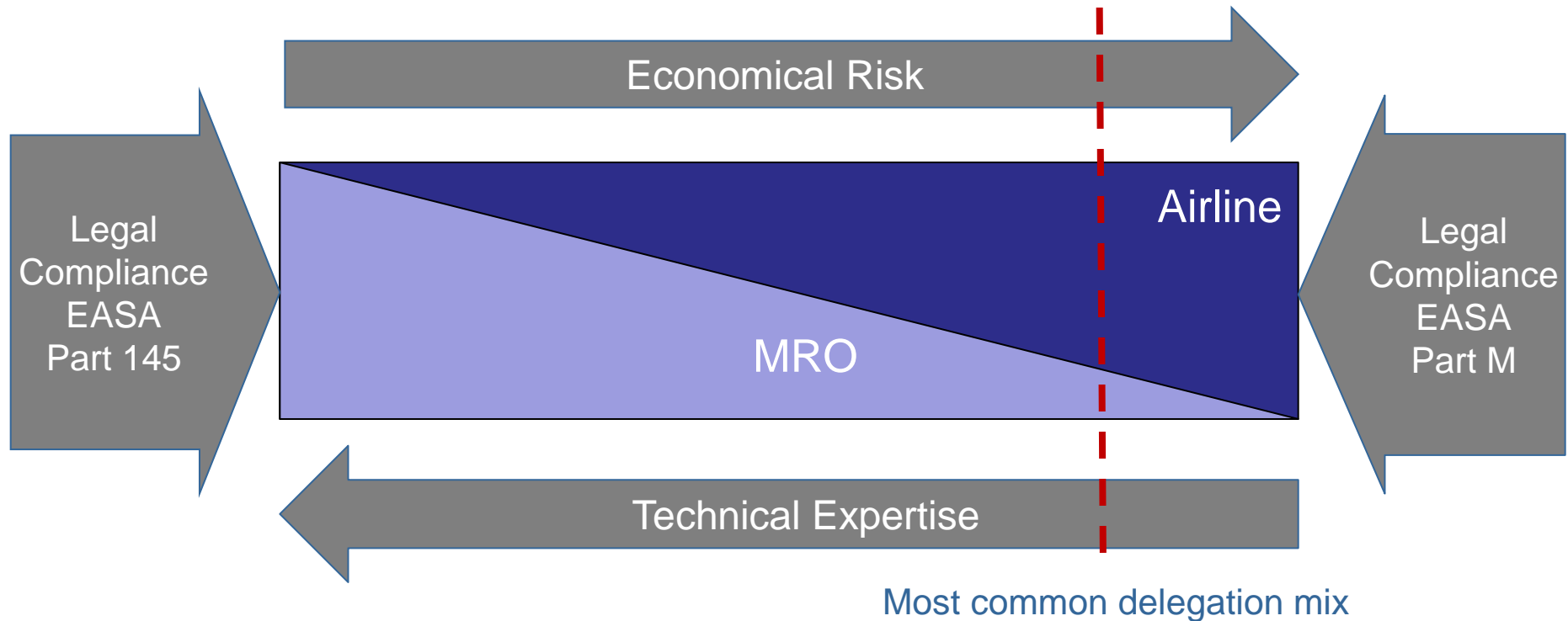


... but current market conditions change the risk spectrum dramatically



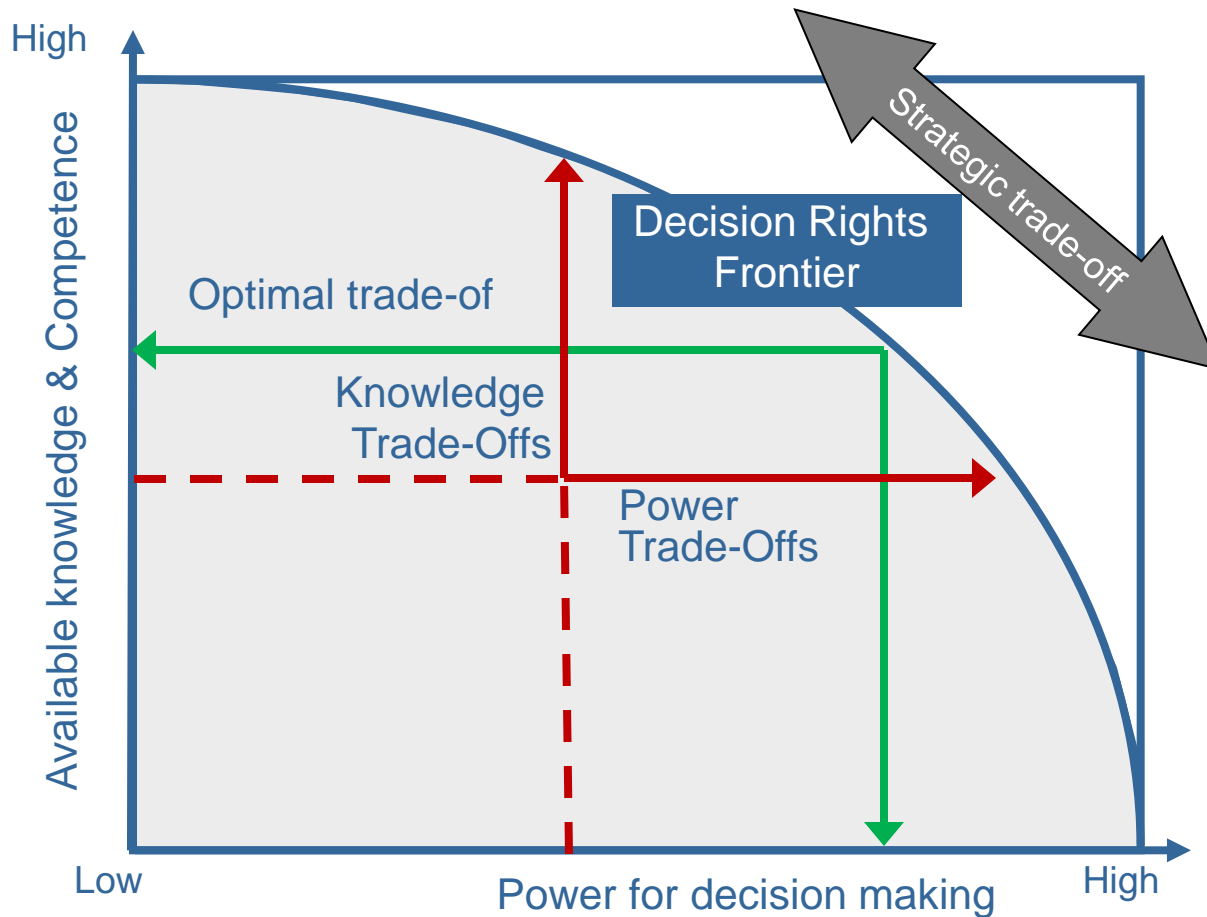
The dilemma: Competence versus Impact based decision making

Decision based upon cost or impact on operation:
is this the (technically) RIGHT decision?

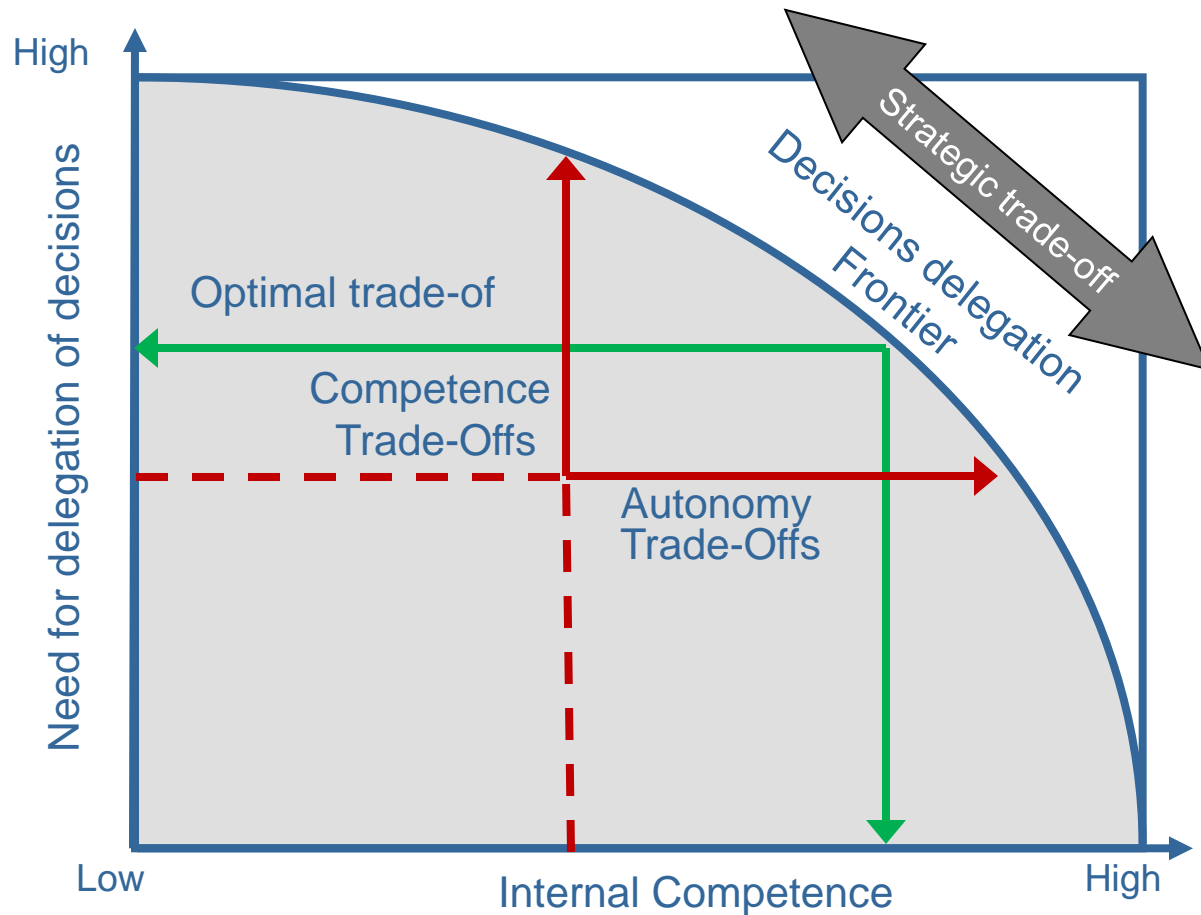


Decision based upon competence:
who absorbs the (economical and operational) consequences?

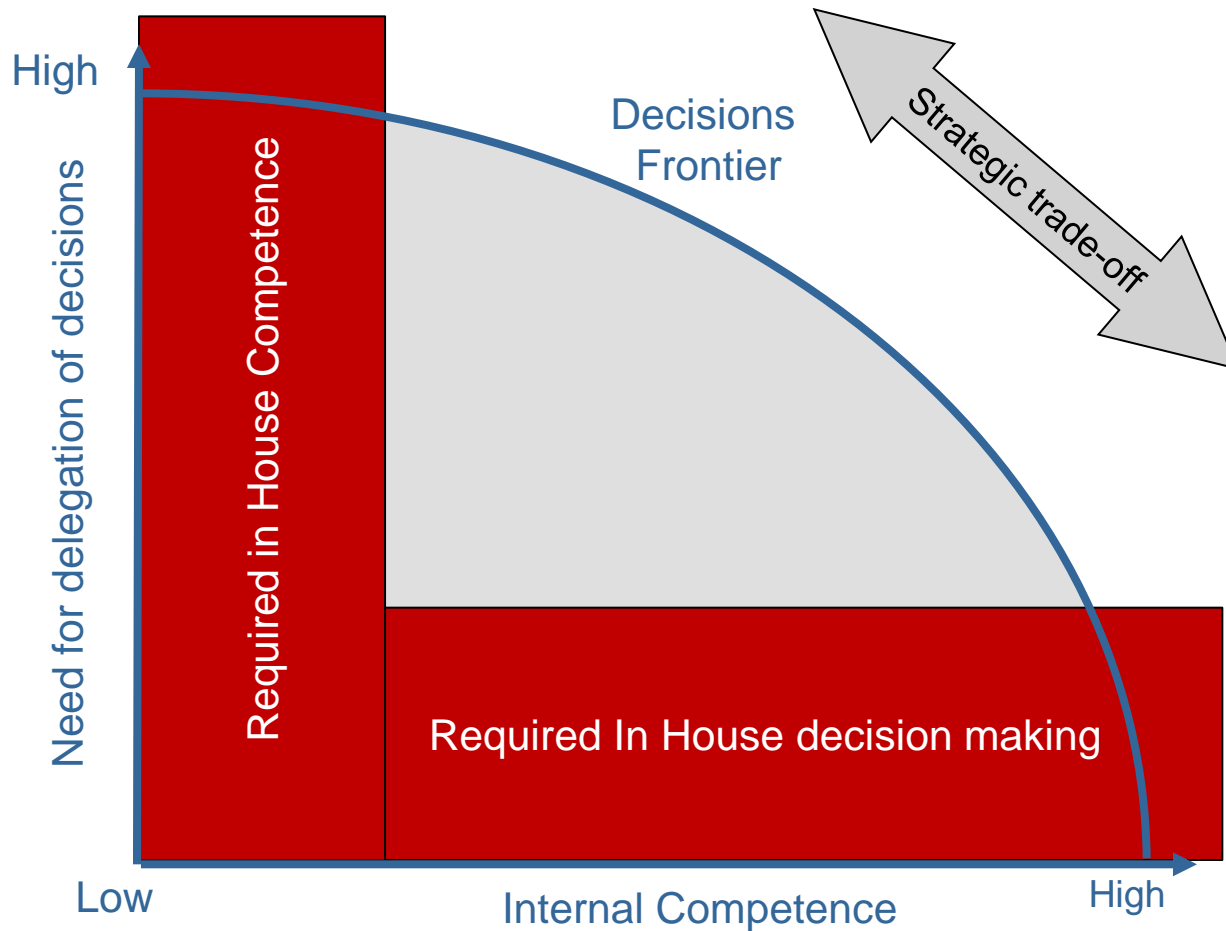
In decision making, competence meets decision power



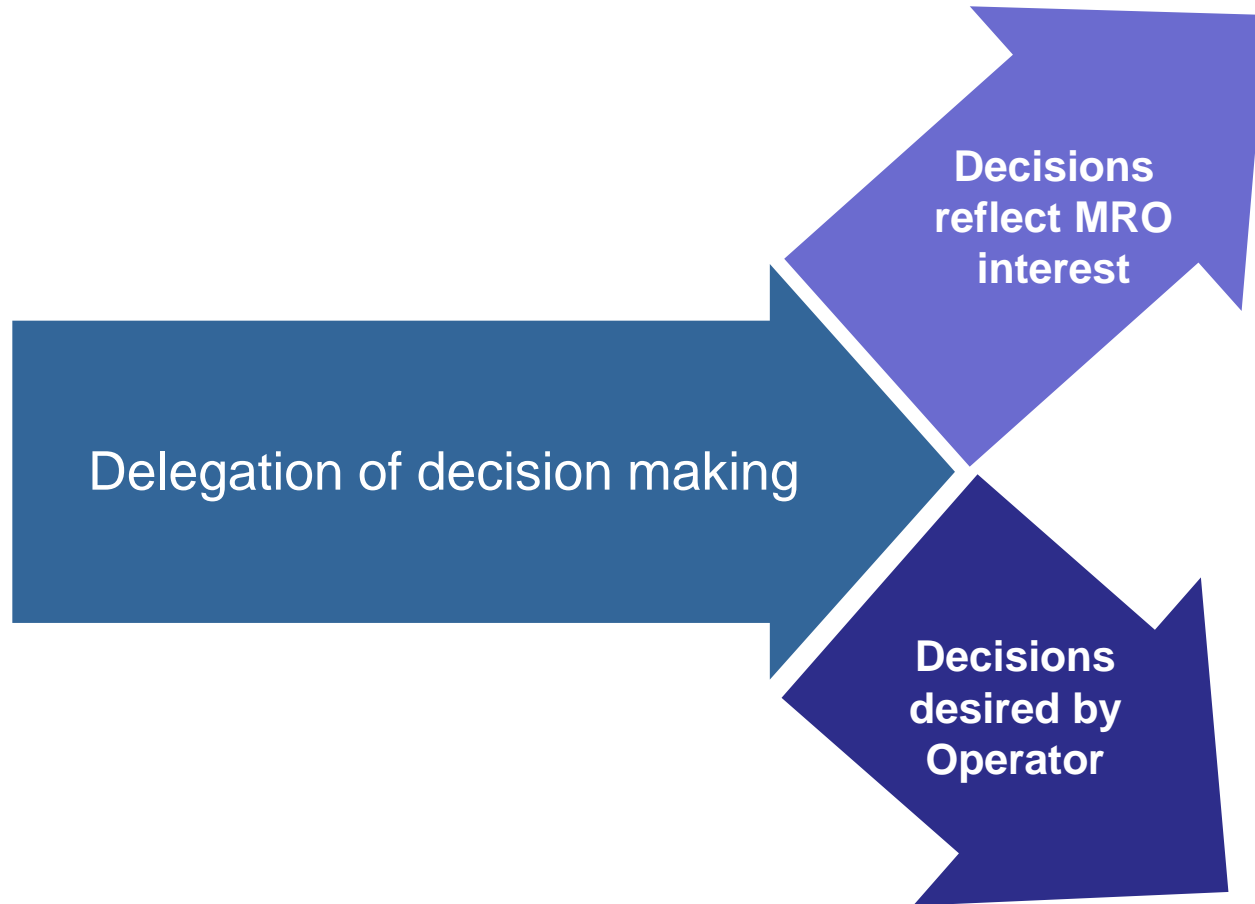
Airlines & MRO's should realize their strengths and weaknesses



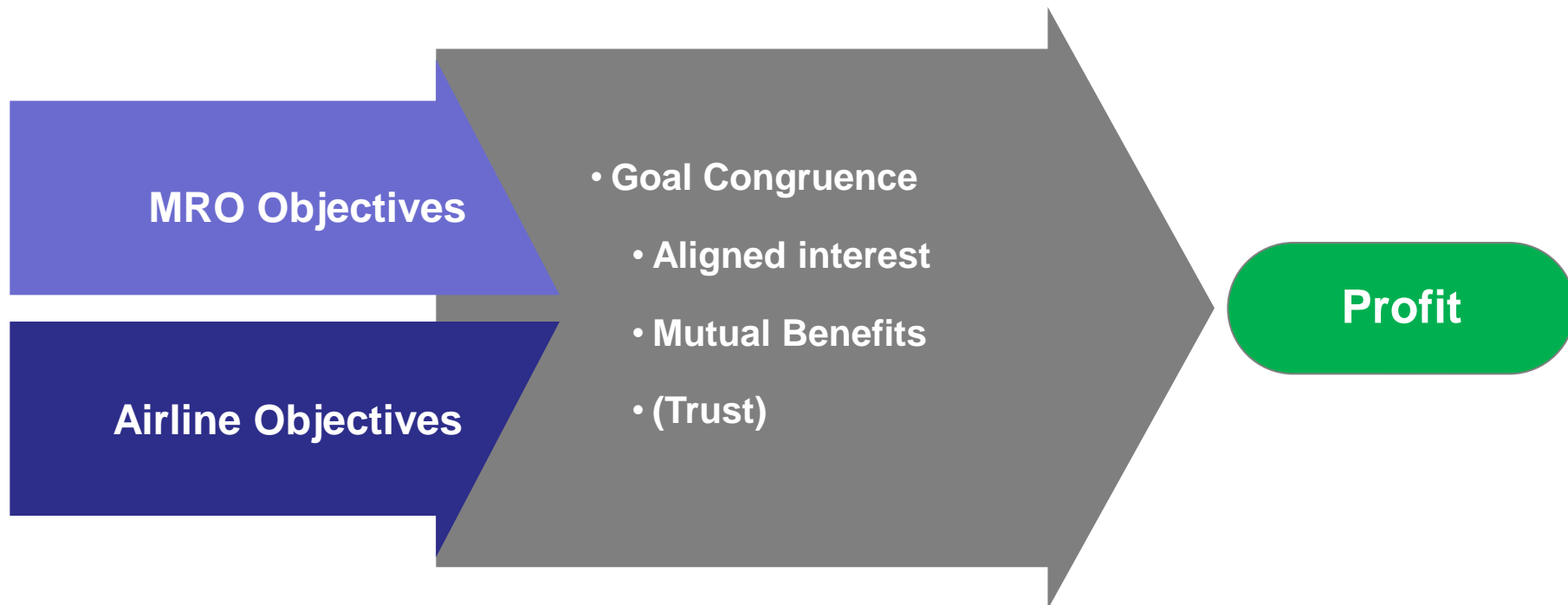
EASA has limited the span of Operator and MRO discretion



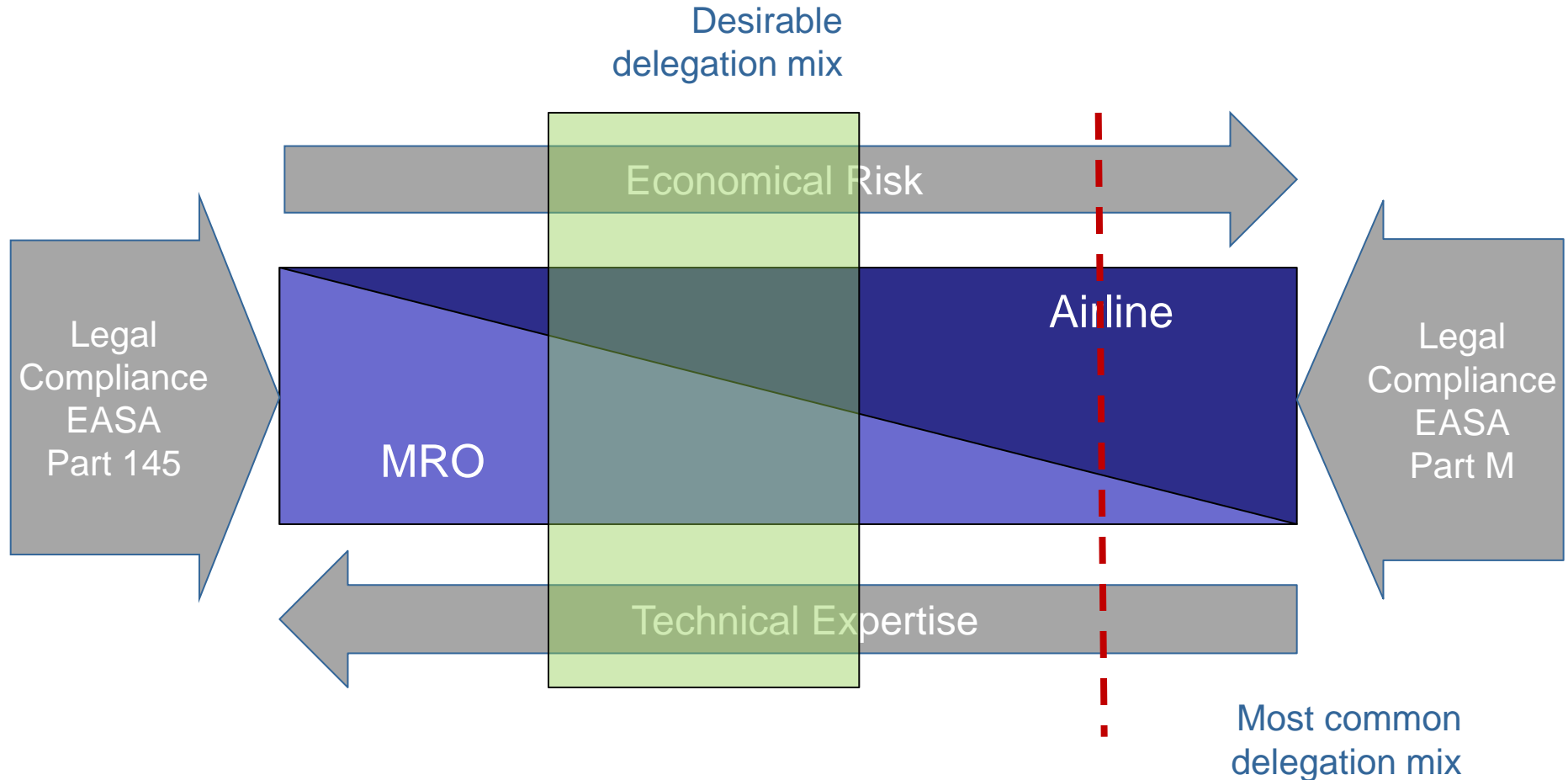
The agent theory is about delegating decisions



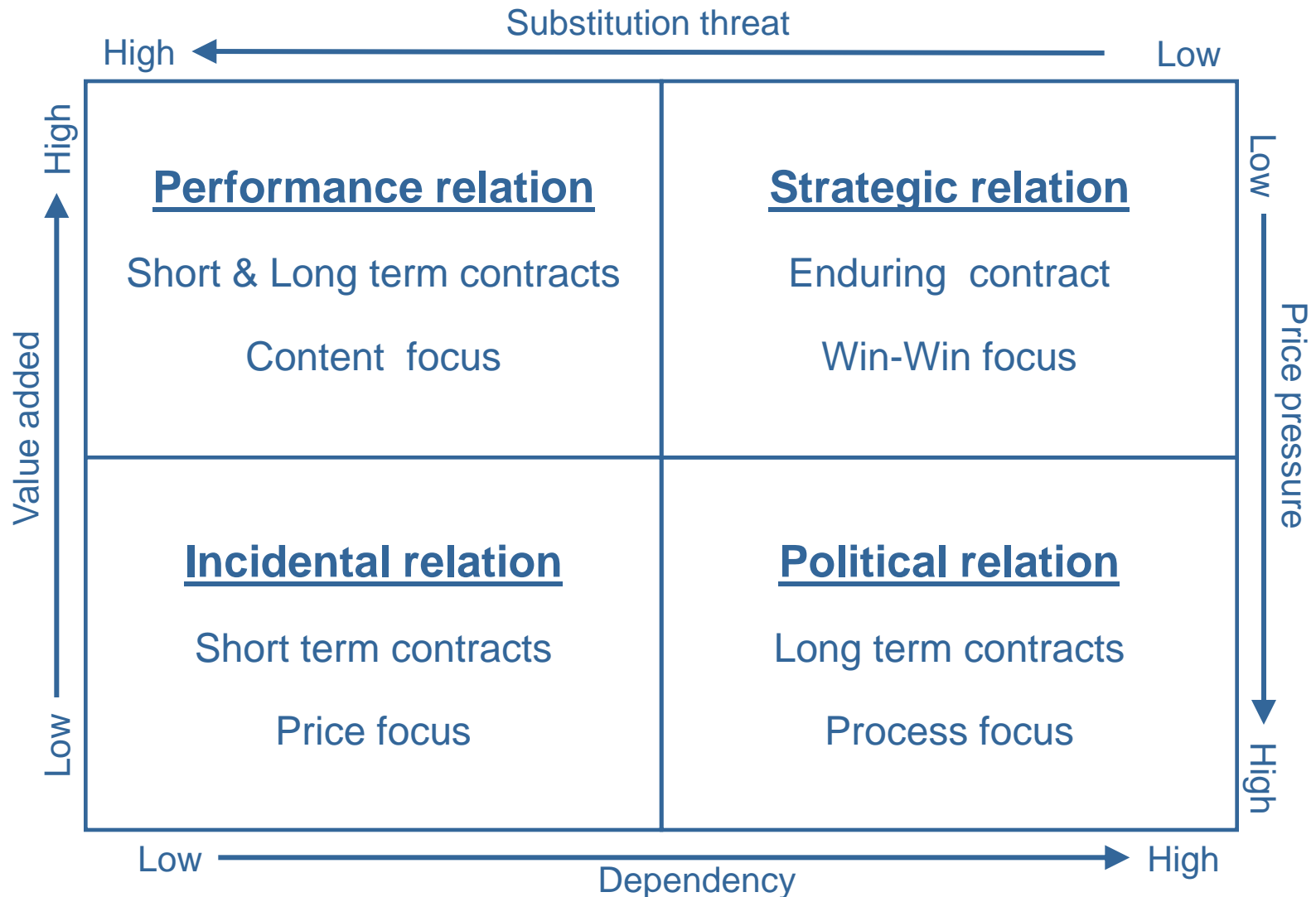
... and finding ways to transfer individual objectives into mutual goals



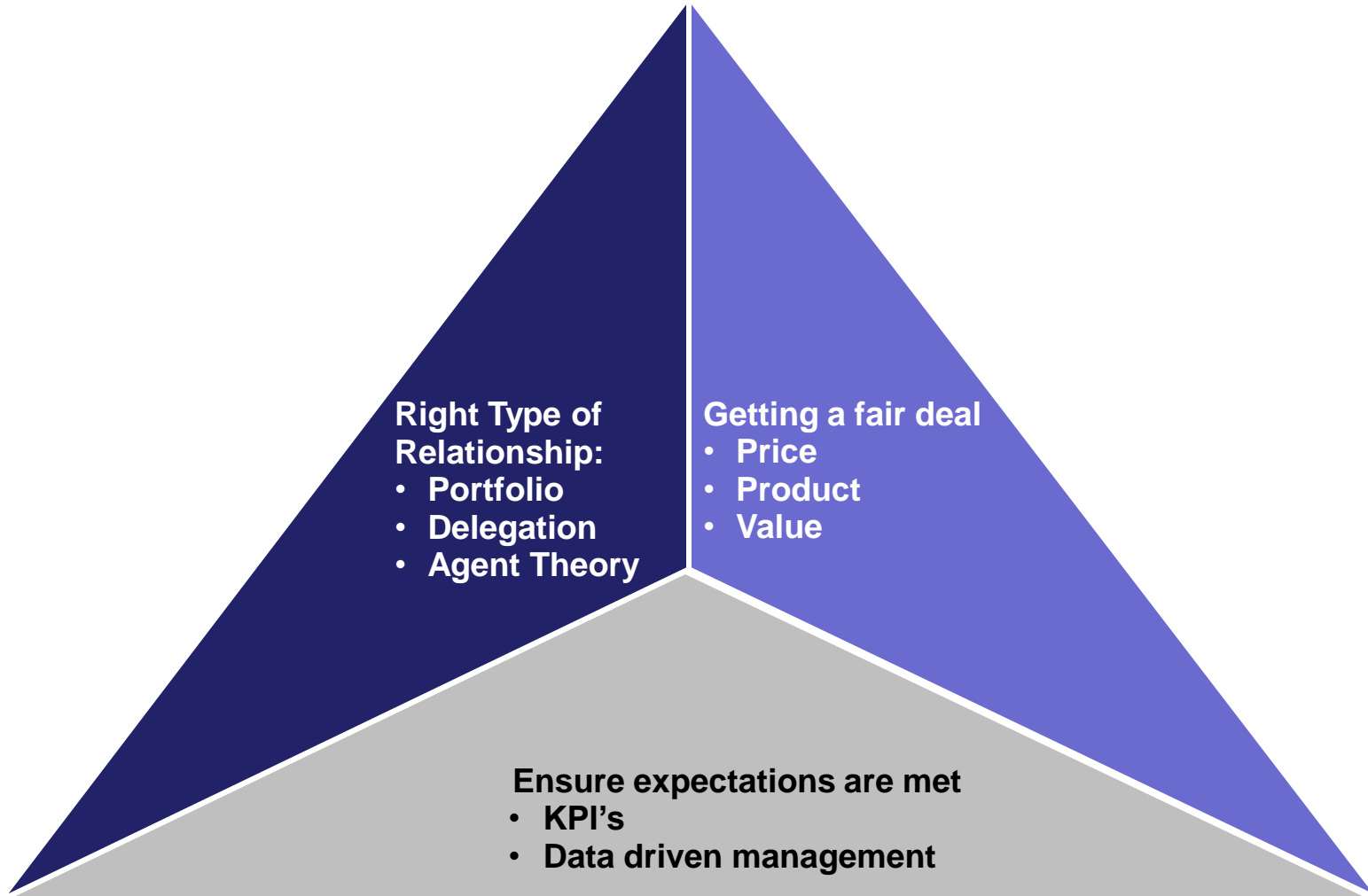
The right mix between cost, competence & benefit is essential



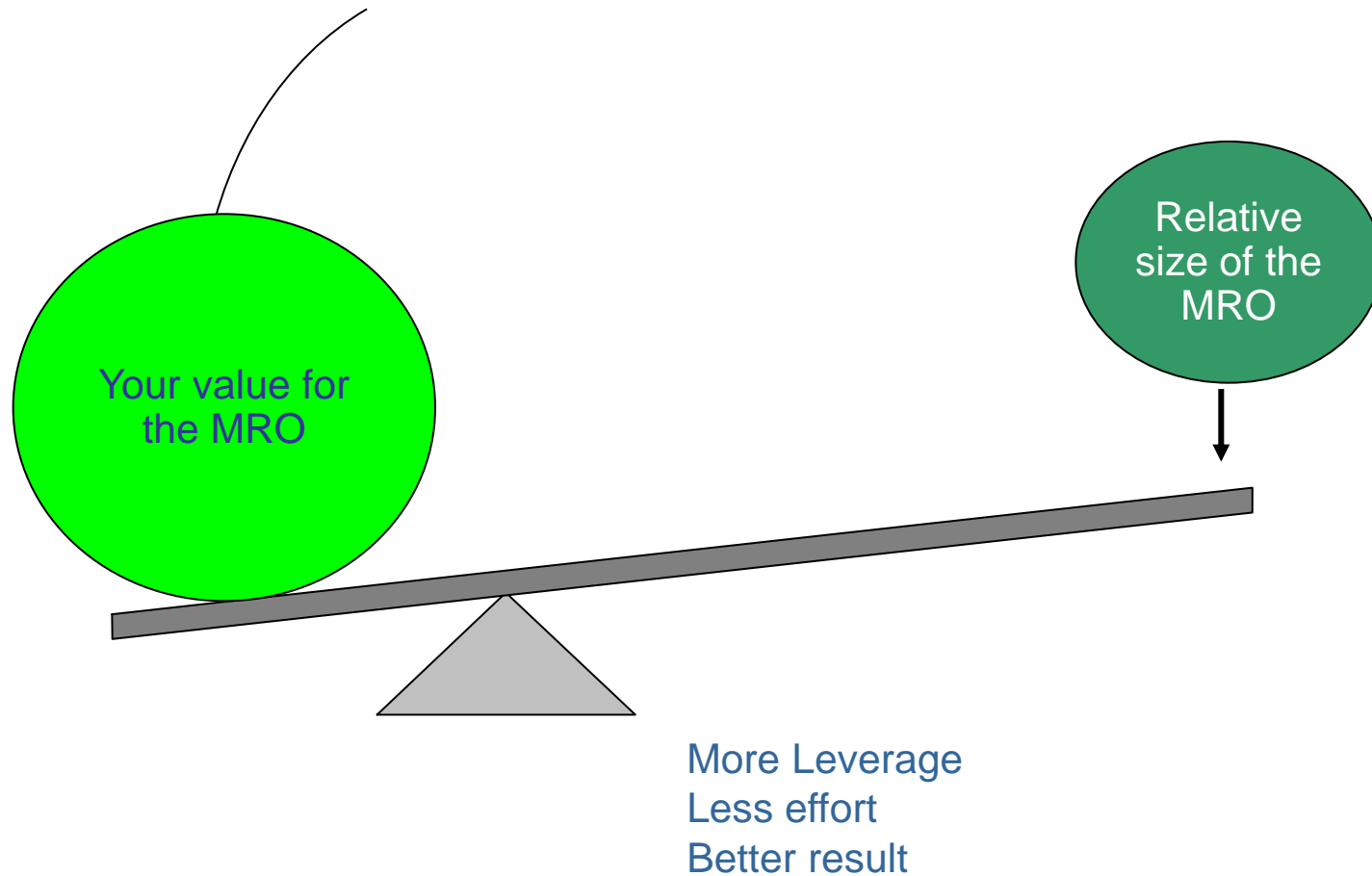
A portfolio features all relation models for different purposes



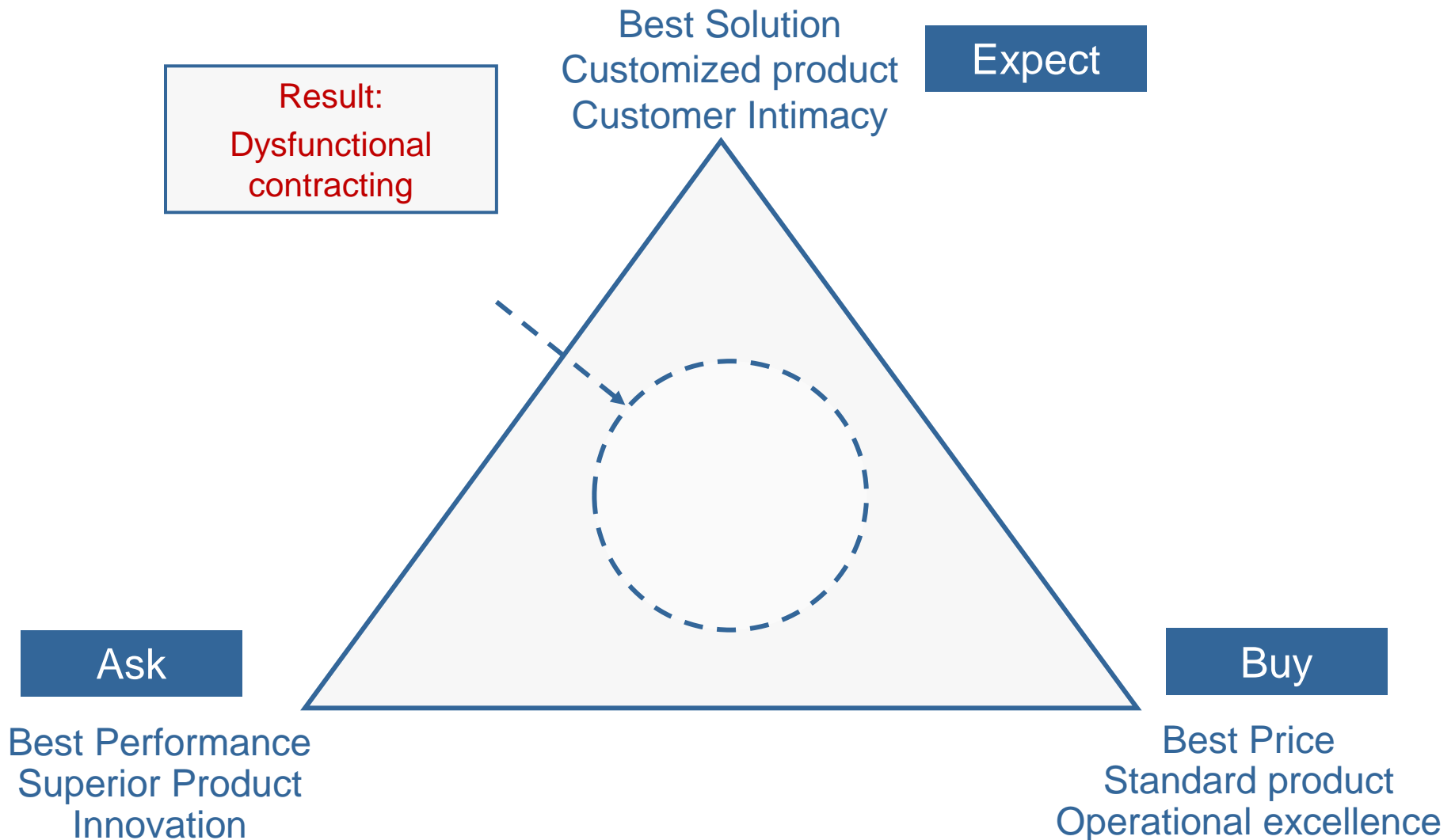
Successful Airline MRO relations center around 3 themes:



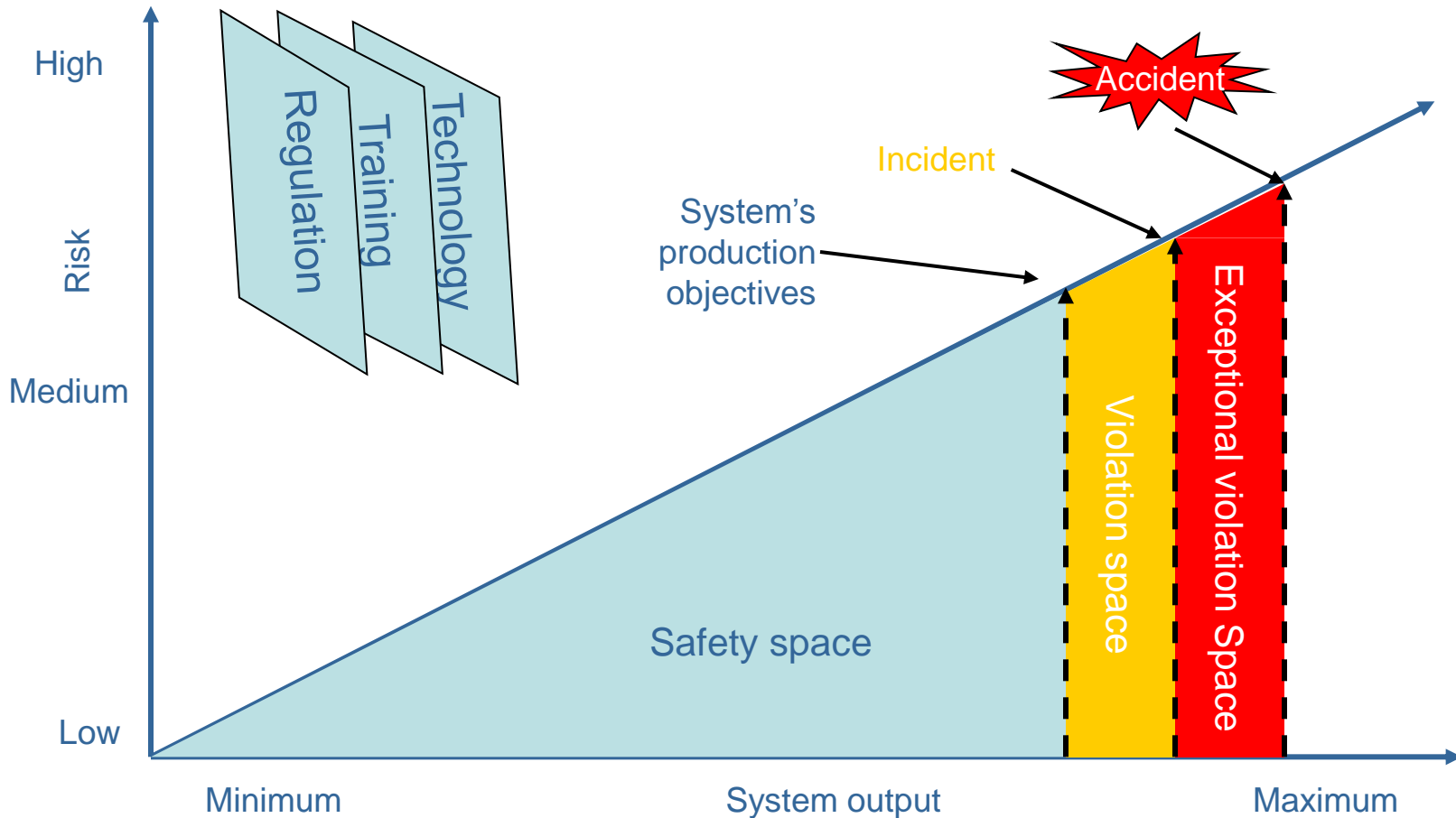
Size matters: ensure you have the right leverage to get the right price



A relation should deal with value proposition expectations

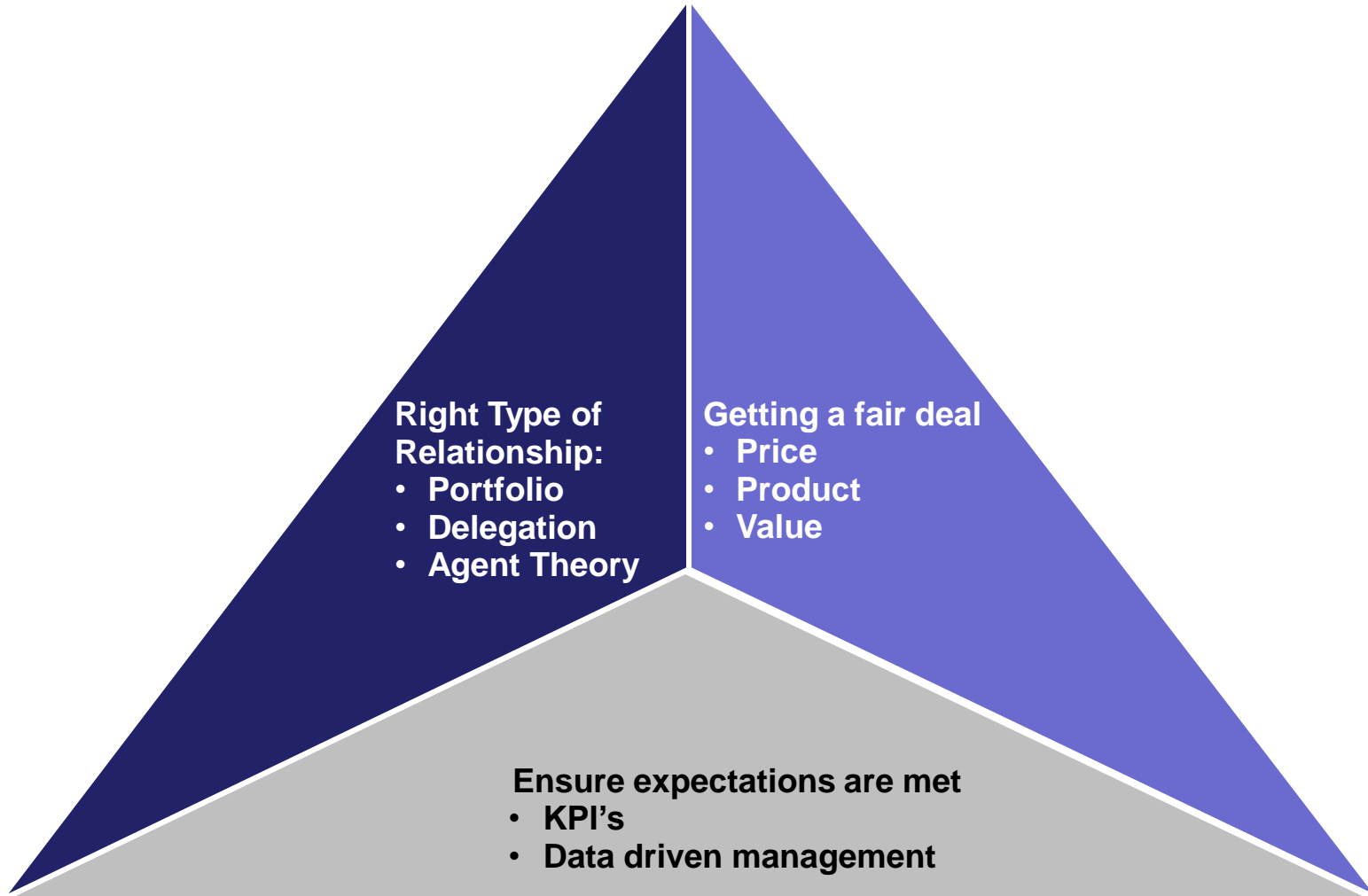


More production & less resources requires change of practices



Source: ICAO Doc 9859, Safety Management Manual ed. 2

Successful Airline MRO relations center around 3 themes:

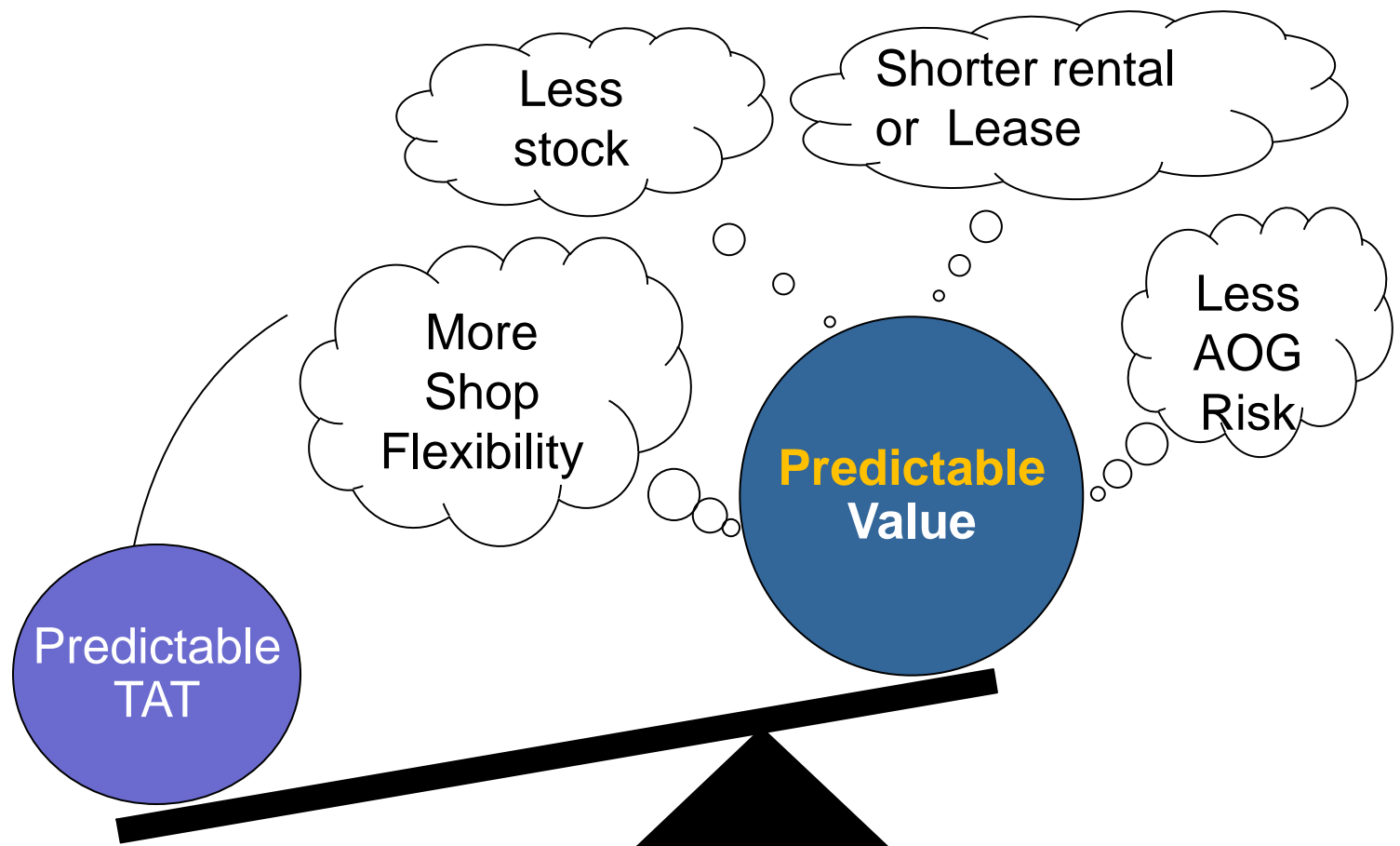


Cost is ONE aspect of a multidimensional framework

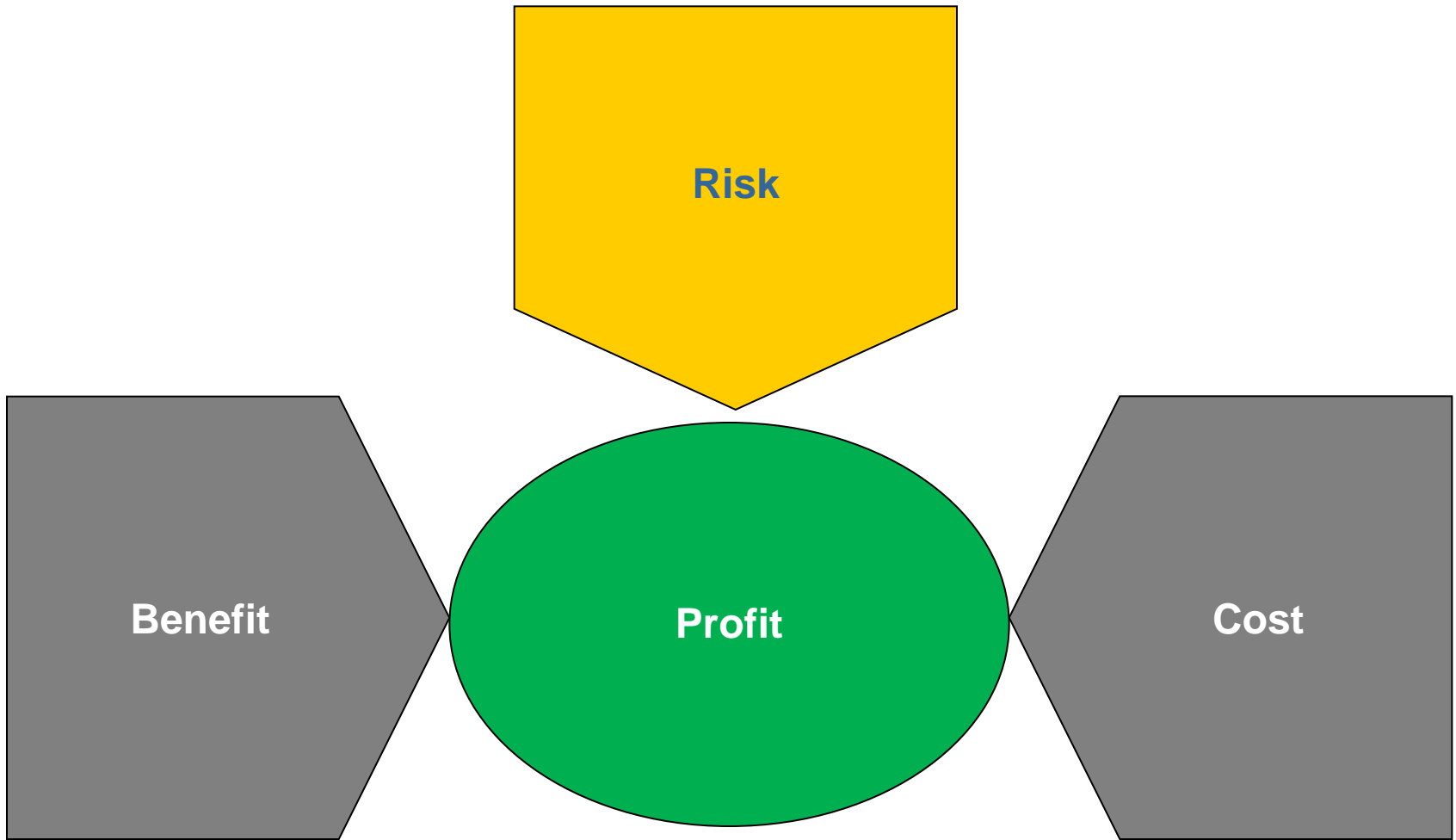
SAMPLE

	Financial	Operational	Strategic
Absolute Value	€ xx million	# flights	# charter contracts
Trend	Increasing	Flat	Fluctuating
Ratio	€/FH	OTP %	%of total flights

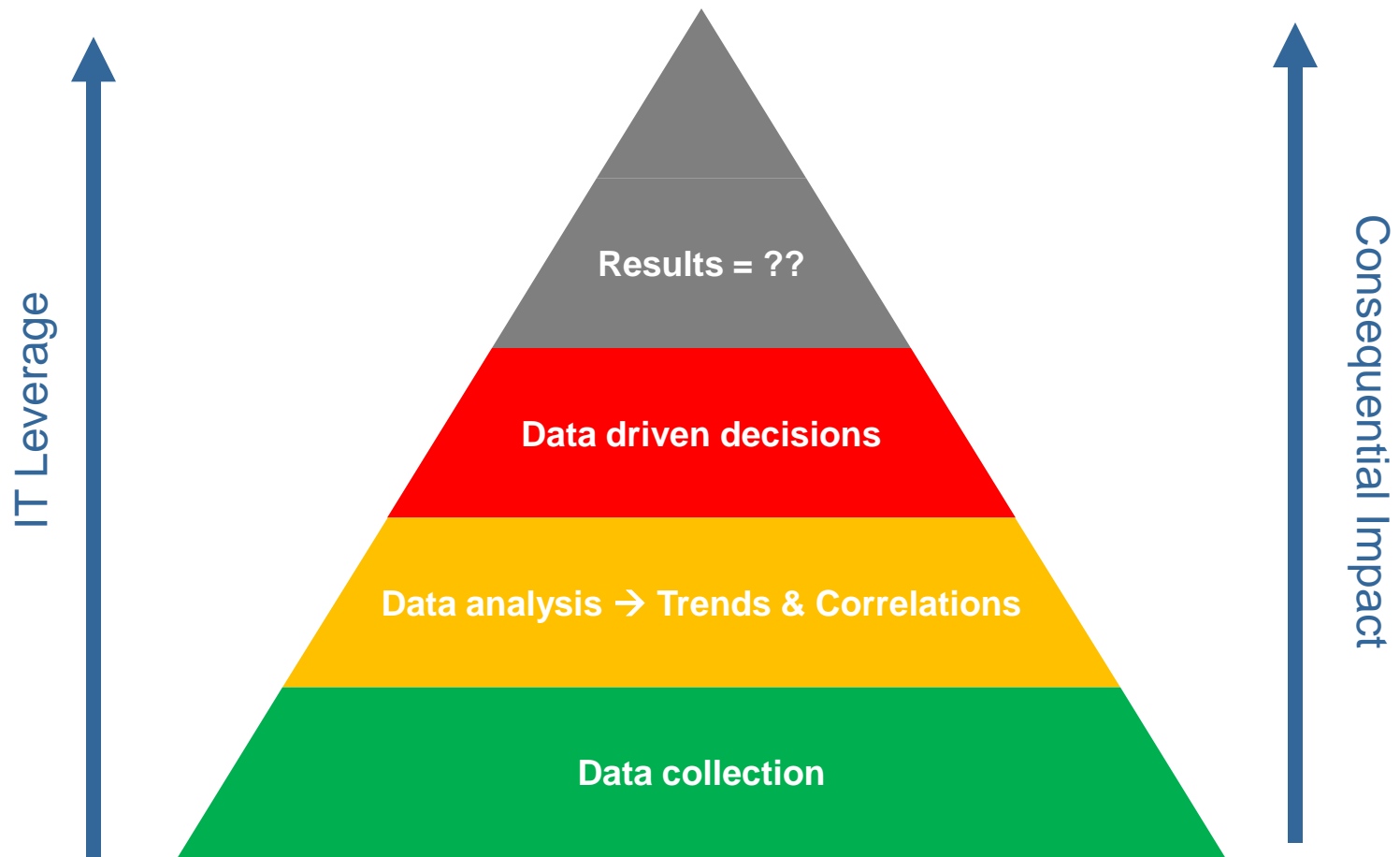
The leverage of TAT is underestimated



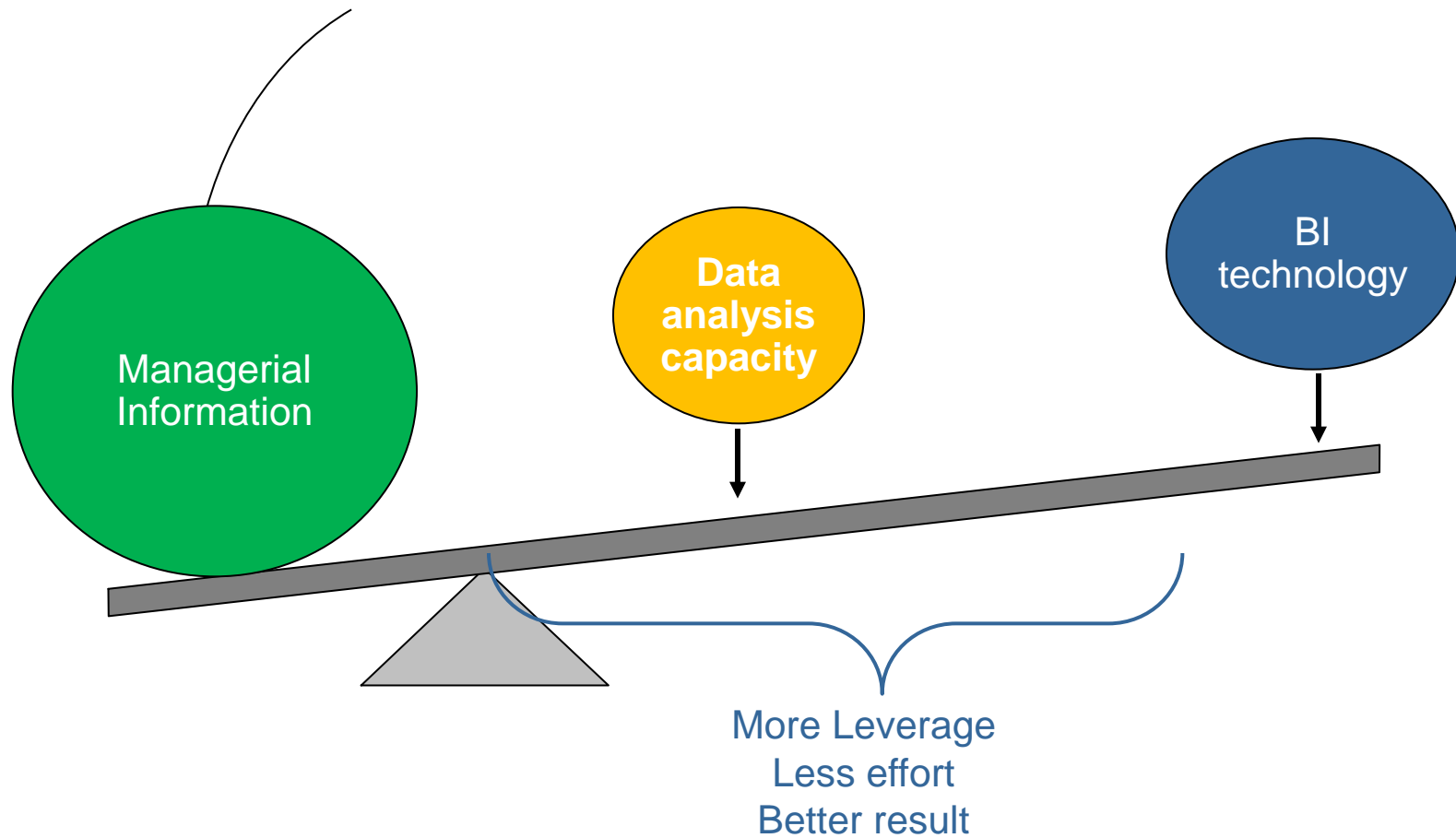
Profit is the balance between cost, risk and profit



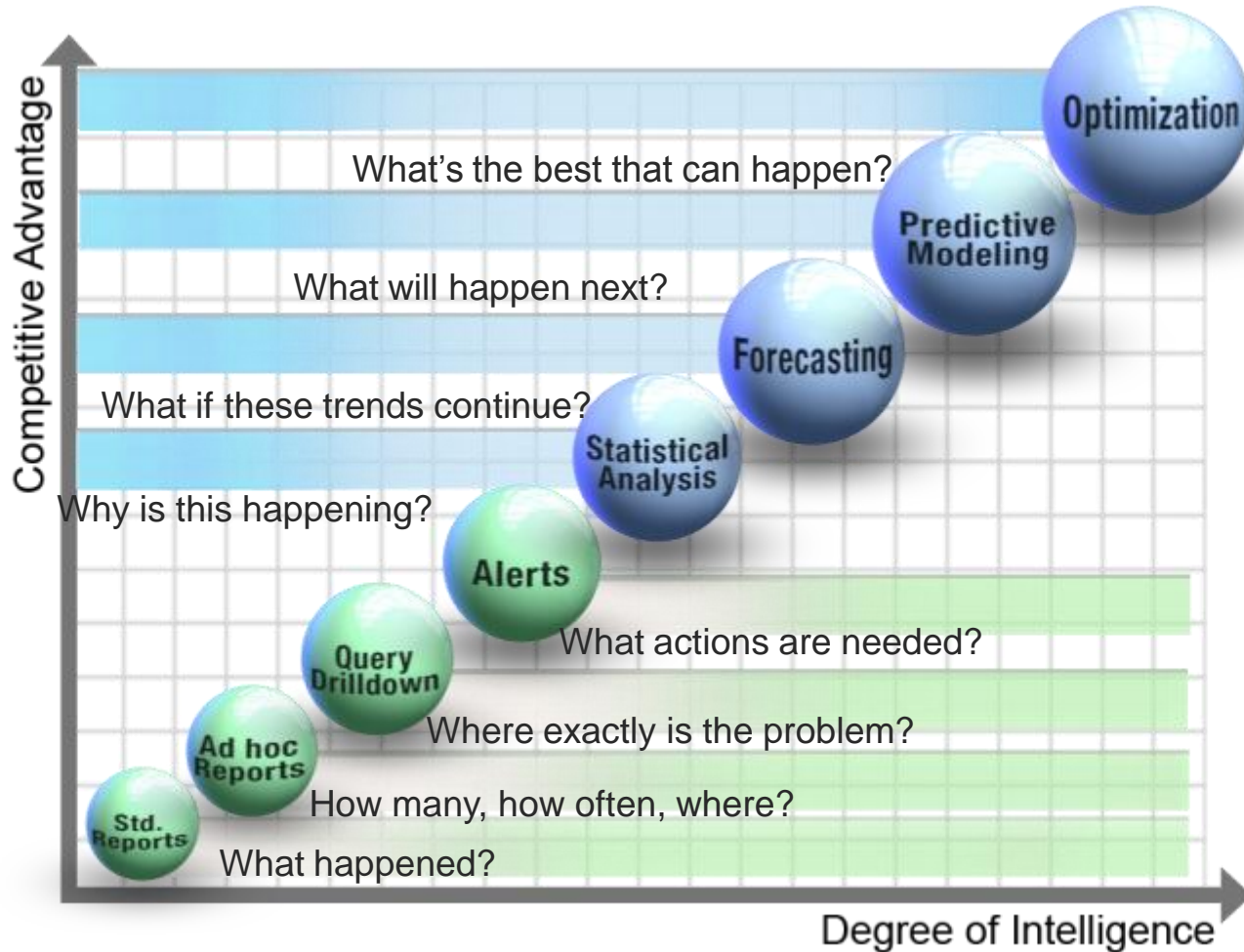
Structured cost saving requires a systemic approach



Business Intelligence technology can provide extra leverage



Competing on analytics influences cost and performance



Steps to Results:

Define your expectations:
Contract relation type(s)
Level of internal competence
Level of delegation
Level of Risk & Reward



(Re-)Define Contract relations:
Review/(Re-)Assign Decision Rights
Define Risk & Opportunities
Link “good” Decisions to Rewards
Define Evaluation tools



Purchase on Value:
Link price to Value Proposition
Link Value Proposition to Business Model
Understand & Manage Risk
Leverage your data available



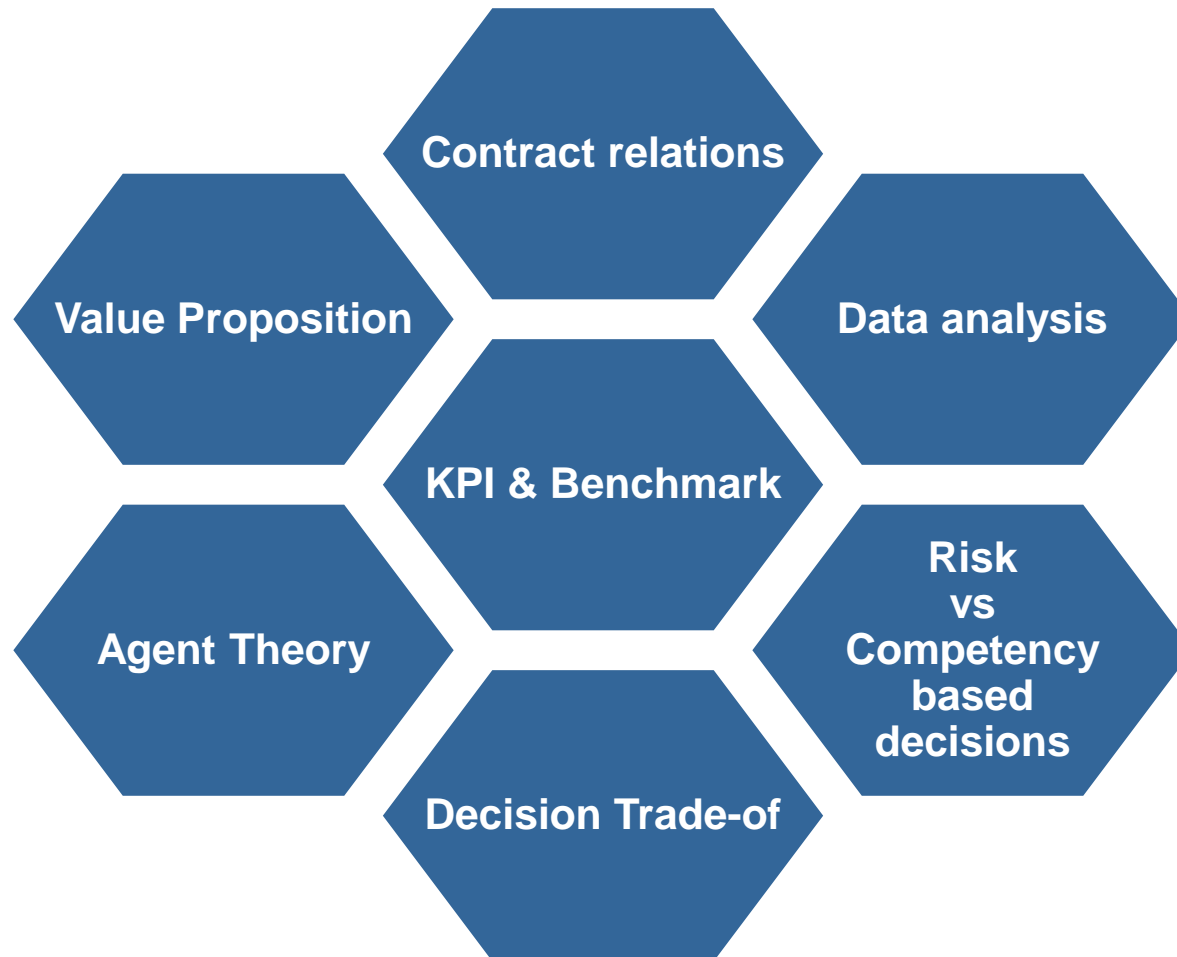
Achieve TRUE Results:
Business Optimal Relations
Optimal decision making
Benchmark prices
Meaningful KPI's



Summary

- Push for the extreme of the envelop: be really good in what you do
 - Value proposition
 - Delegation
 - Contract mix
- Chose the right partner
 - Competence
 - Size
- Avoid the squeeze
 - Obtain value for money
 - Work smarter instead of pushing safety
- Use your data
 - Statistical modeling to simulate future
 - Smart technology to detect trends, patterns & correlations
 - Enhance speed of access and convert data into competitive advantage

The relation between MRO and Airline: a complex but beautiful thing



Discussion & follow-up is welcome

Paul Schneijder
Managing Director

Vrusschemigerweg 11
6417 PB Heerlen
The Netherlands

Mobile: +31-6-55530403

e-mail: paul.schneijder@airlineconsultant.eu

www.airlineconsultant.eu

PAUL SCHNEIJDER 
AIRLINE CONSULTANT

Thank You...

for Your Attention!
