

The Value Proposition

Aircraft Maintenance Outsourcing Expo 2008

May 7 & 8

Olympia Exhibition Center

London

Prepared by:

Donald P. Schenk: dpschenk@aca-assoc.com

545 Fifth Ave

New York, NY 10017

+1-212-808-4420





A review of trends
in the airline and
commercial jet
aircraft industries.



Raytheon

Alitalia

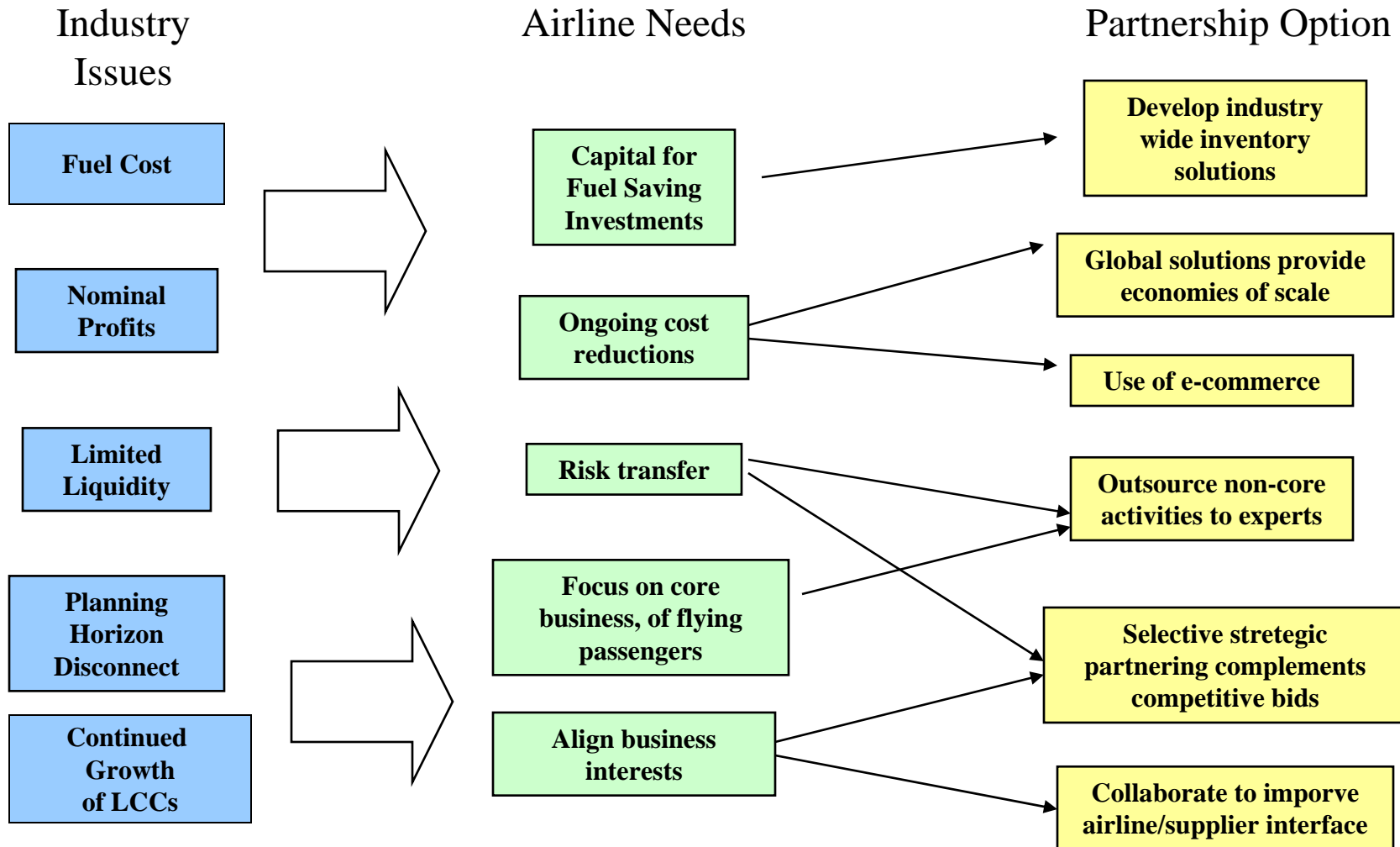


BOEING



- Industry Status
- Traditional Business Model and Proposed Change
- Value Proposition
- Partnership Structure
- Essential Technologies
- Non-MRO Partnerships
- MRO Partnership Limitations
- Conclusion





Airlines

- Reduced industry investment in maintenance infrastructure
- Reduced investment in spares
- Reduced maintenance costs
- Reduced unplanned maintenance events - increase equipment utilization
- Reduces investment in human capital

Manufacturers

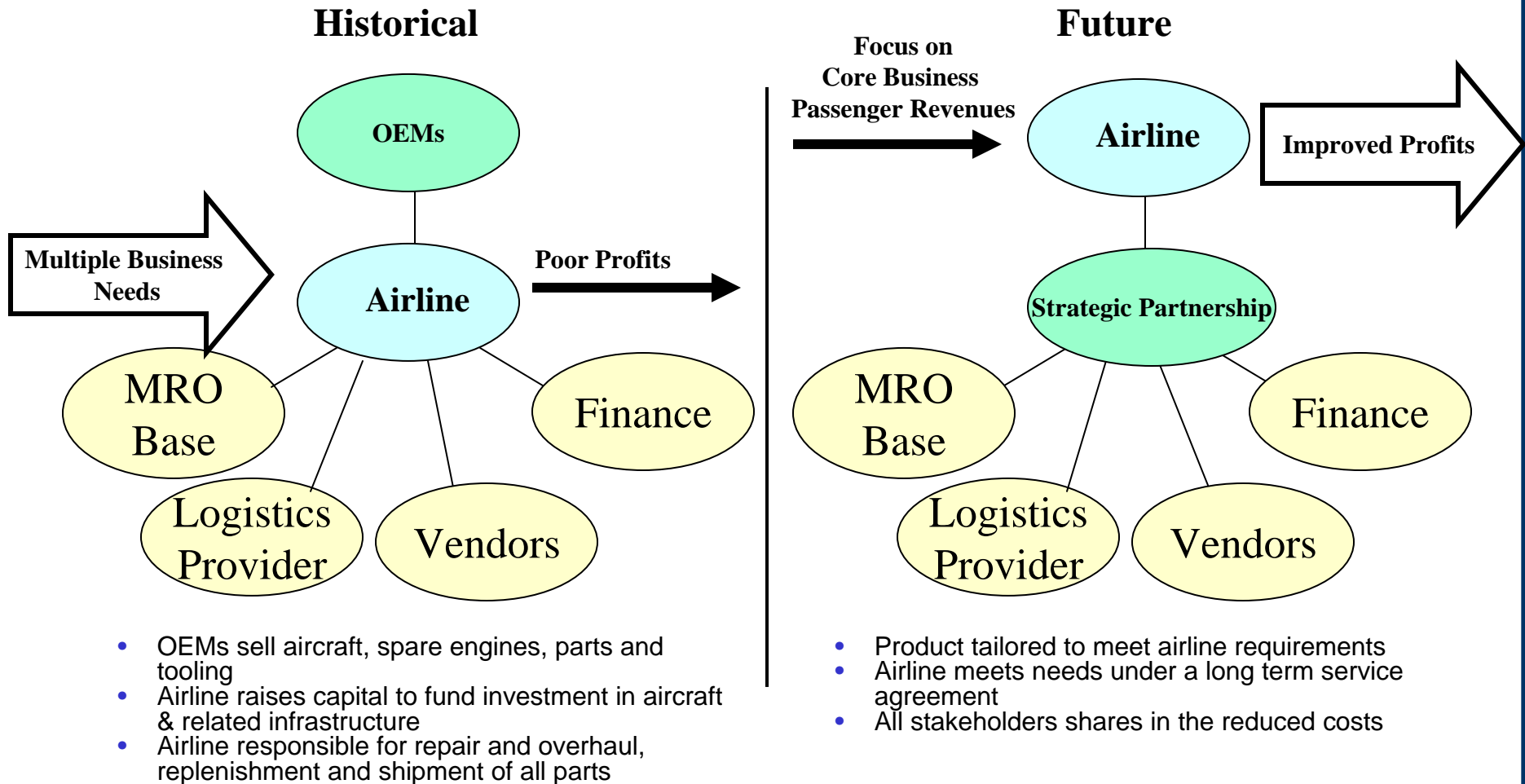
- Increase and stabilize profits through sale of services
- Reduced manufacturing costs through improved planning

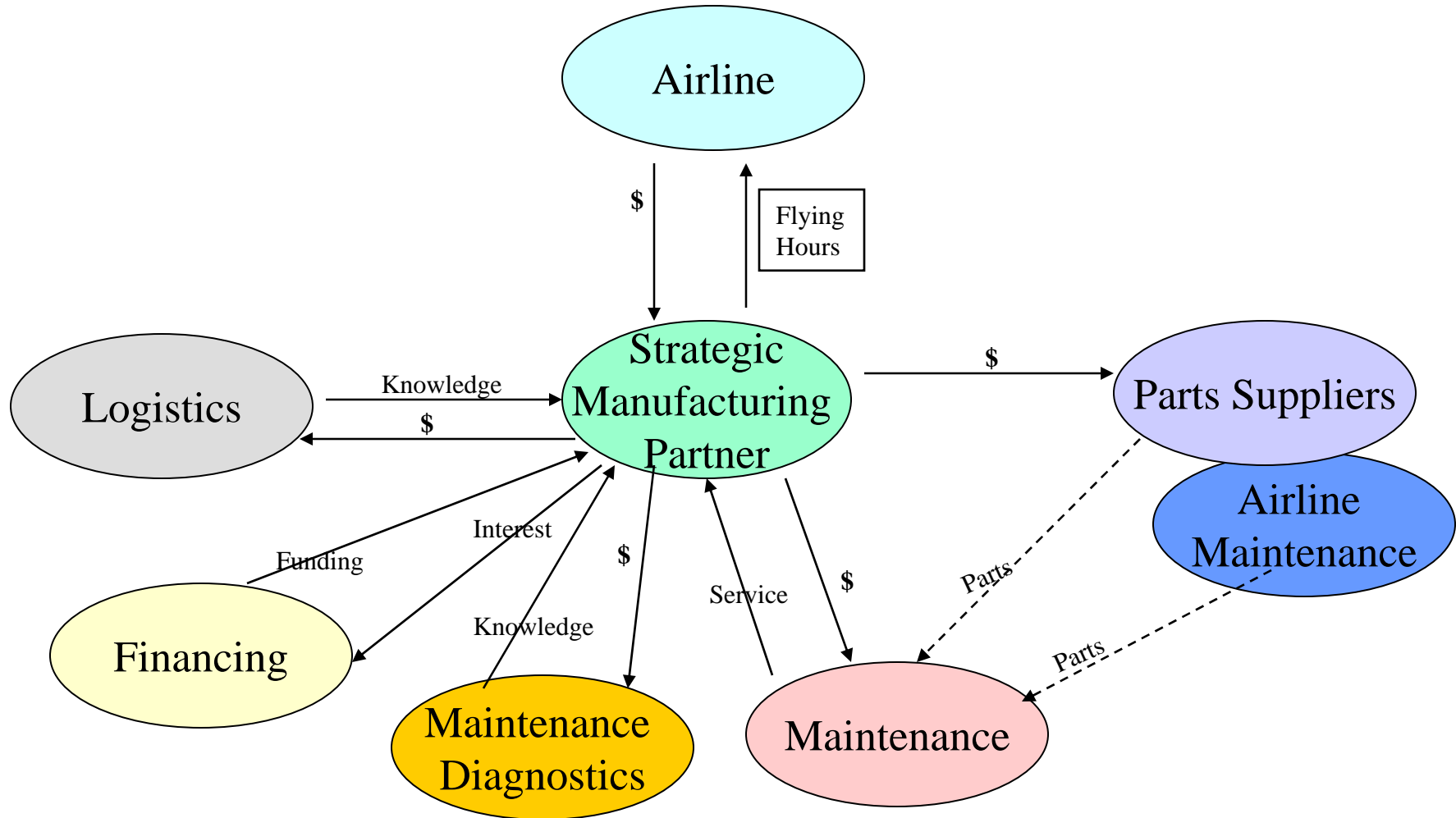
MROs

- Improved use of manpower and facilities

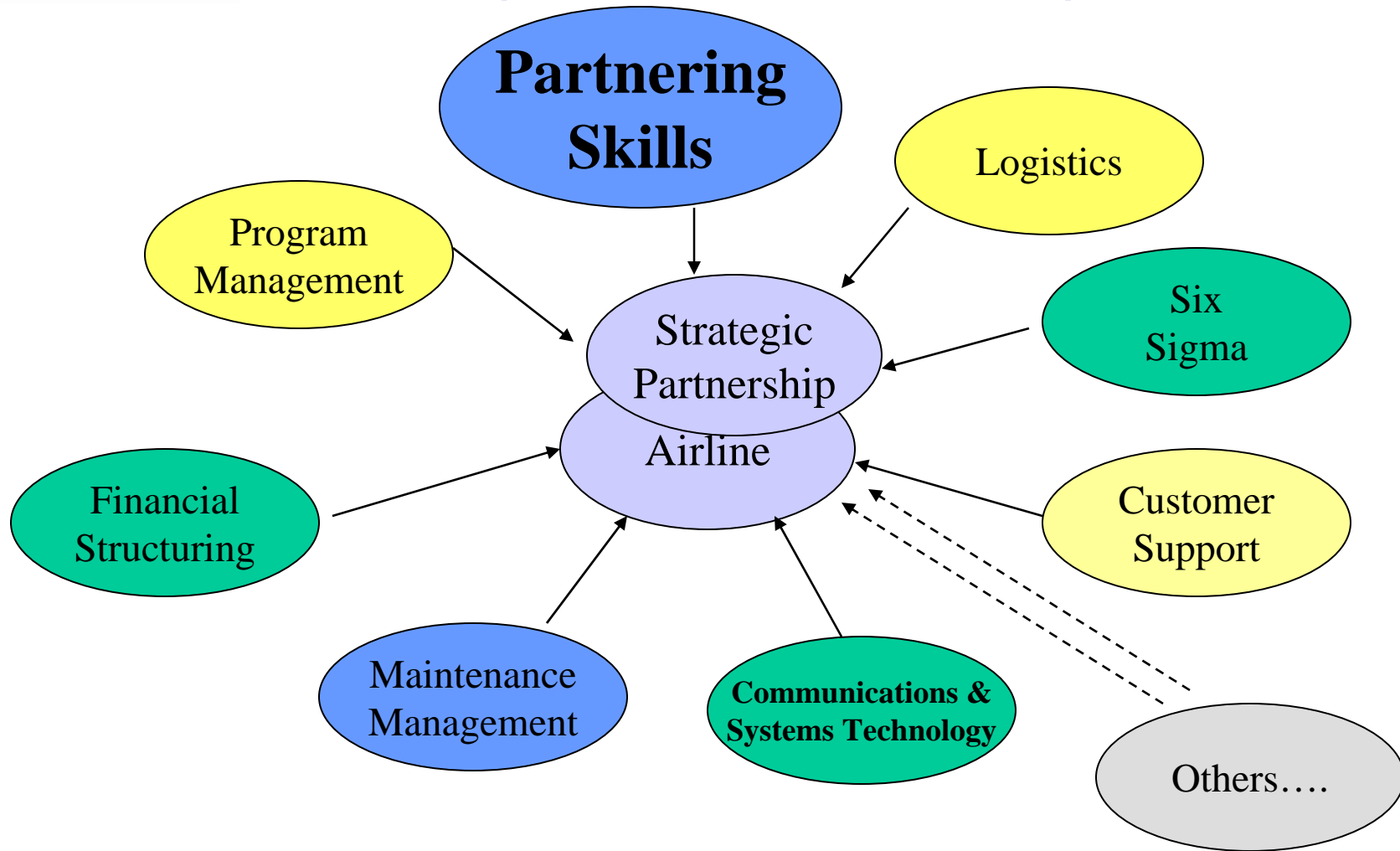


Historical and Future Airline Models





Partnering Requirements Proper Mind Set & Multiple Technologies



Other Partnering Possibilities

- Fuel Management (Fuel accounts for ~30+% airline revenues)
- Labor (Labor ~30% revenues)
 - Profit sharing rather than ownership?
- Aircraft Supplier (Ownership ~10% of revenues)
 - OEM or Leasing Company
 - Flexible seats by the hour
- IT Services
- Airports or Local Communities
- On Board Revenue
 - Advertising / Movies / Phone Service / Catalogue Sales
- Customers (Corporations)
- Associated Products (Car Hire, Hotels)
- Environmental Issues
- LCCs have laid a trail for many of the above



- Greatest Potential, New Aircraft Models
 - Maintenance -- Planned management of life cycle costs
 - Inventory Size -- Managed growth
 - Facilities -- Staged additions
 - Manufacturing -- Avoid unnecessary production swings
- Least Potential, Older Aircraft Models
 - Disparate interests make implementation difficult
 - Maintenance -- Limited but significant
 - Inventory -- Manage acquisition from existing inventories, scrapped aircraft, and new production
 - Facilities -- Limited potential savings
 - Manufacturing -- Limited savings



- High fuel prices and resulting profit squeeze could be the impetus to start partnering
- A growing number of OEMs recognize the value of partnering and its potential
 - Boeing GoldCare™
 - GE OnPointSM
 - R-R TotalCare™
 - Airbus' Air+
- It would be a shame if the industry failed to harness the cost-saving potential of this concept for all new generation aircraft

