



Jet Airways India Ltd.

Managing Component MRO

Agenda

- Jet Airways MRO Capability
- Introduction to MRO Management
- Negotiation Factors
- Commercial Terms
- Performance Terms
- Remedial Plan
- Customer-Vendor Relationship
- B-737 Max Induction

Jet Airways MRO Capability

Major Checks:-

- B737 Fleet — Approval for all Major Level Checks
- ATR Fleet — Approval for all Major Level Checks
- B777/A330 — Major Checks Outsourced to 3rd Party

Line Maintenance:-

- All Domestic Line Maintenance is done by in-house team
- All International Line Maintenance is outsourced
- Shops like Wheels & Brake, Batteries, Structure Repair and Avionics are maintained in-house

MRO Contract Introduction

Following are the salient features of a component agreement with MRO Vendor:-

- Types – Repair & Return and Pool & Exchange
- Components are owned by operator (Closed Loop Repair) or not owned by operator (Pool and Exchange)
- Modifications related to Reliability improvement
- Modifications related to mandatory SB/AD and pool standards
- AOG Support

Vendor Selection – Key Negotiation Factors

During negotiation phase of contract, following factors have to be considered which have a significant impact on operational and economic terms:-

Vendor Reputation

- **Past Experience**
- **Extent of In-house capability Vs Subcontracting**
- **Exchange capability**

Quality Standards

- **Modification Standard**
- **Overall Quality Standard**
- **Use of PMA parts**

Performance Standard

- **Service Level Agreements**
- **TAT Terms**
- **Return Shipment Terms**
- **AOG Support**
- **Dispatch Reliability**

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Vendor Selection Negotiation Factors

During negotiation phase of contract, following factors have to be considered which have a significant impact on operational and economic terms:-

Coverage

- **Pool Parts coverage**
- **Warranty Terms**
- **BER coverage**
- **NFF Coverage**
- **AD/SB coverage**
- **Freight cost**

General Factors

- **Minimum Guaranteed Hours**
- **Severity Matrix**
- **A/c Redelivery support**
- **Term of the contract**

Commercial Terms

i) Cost Break-Up

MRO Service providers levy charge for several services which includes but not limited to:-

- Pool Access Fees
- Home Base (MBK) Lease Fees
- Repair & Overhaul Charges
- Transportation cost
- Exchanges Fees
- Priority Fee etc.
- *NFF Charges*
- *AD/SB Charges.*

Commercial Terms

ii) Price Factors

Services are charged based on hours flown by an aircraft. This arrangement is known as **Flat Rate** which depends on following factors:-

- Age of the aircraft
- No. of spares/components covered
- Freight Responsibility
- Use of PMA parts
- Warranty Terms or Reliability Guarantee
- Service Level Commitments
- Modification Responsibility
- NFF Coverage
- Network of Operator

Commercial Terms

iii) Price Adjustment

- Prices are escalated on yearly basis
- Based on Labor index of MRO Vendor's base country and Material Price of OEM or Supplier
- CAP is defined to lock the maximum escalation

Commercial Terms

iv) Payment Terms

- Jet pays every month for the agreed FH flown
- Jet shares actual FH information every month with the MRO
- Annual Reconciliation is done to check delta between agreed and actual flight hour flown
- Within 60 days payment is required to be paid
- Disputes need to be resolved within 30 days

Performance Terms

i) Quality Compliance

- Laws, rules and regulation of DGCA, EASA and/or FAA should be complied
- It is Jet's responsibility to inform vendor about any change in DGCA regulations time to time
- PMA parts are not accepted.

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Performance Terms

ii) Subcontracting

- Vendor can outsource MRO work to any EASA/ FAA approved 3rd party provided it meets quality standards and final release to service is from the vendor itself
- Vendor is wholly and absolutely responsible for proper rendering of MRO work.

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Performance Terms

iii) Service Level Agreement

1. For any unfulfilled order, Vendor needs to support by exchange or Loaner unit
2. Performance/SL (Service Level) is calculated on monthly basis
3. Low SL compensation is measured on Half Yearly Basis
4. Component Return Terms
5. Each party will nominate at least one focal point for necessary liaising

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Exclusions

There are some exclusions which are not covered under Flat Rate:-

1. NNWT (Non Normal Wear & Tear) – These are non operational damage on units such as
 1. Mishandling of units during transit
 2. Incorrect fitment on the aircraft
 3. Improper storage condition
 4. FOD components etc.
2. ATA 25 Cabin Items (e.g. passenger seats, galley equipment, cabin windows, cabin entertainment system etc.)
3. Structural components (e.g. Slats, spoiler, flaps, doors, radoms etc.)

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Exclusions

4. Landing Gears, brakes, wheels, tires etc.
5. Bare APU and Engine, engine exhaust nozzles, cone, tube etc.
6. Expendables/consumables
7. Thrust Reverser LRUs
8. Components removed during APU/Engine overhaul
9. Modifications at Jet's request

Remedial Plan

- Commercial Negotiation

- For issues related to unresolved quotes
- For issues related to overdue payments
- For issues related supply of units, documents etc.

- Technical Negotiation

- For issues related to modification support
- For issues related to poor reliability
- For issues related to ownership of modification/upgrade
- Soft life component inclusion

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Remedial Plan

- Penalty

Penalty for non conformance of contract can be levied like :-

- FOC Exchange for overdue units
- Termination notice for not maintaining the SL for last 6 months
- Liquidated damages for low time on wing failure
- Liquidated damages for delay in delivery

Vendor-Operator Relationship

Good relations between both the parties results into :-

- Mitigation of unnecessary delays
- Improved Dispatch Reliability
- Improved Operations
- Improved customer satisfaction

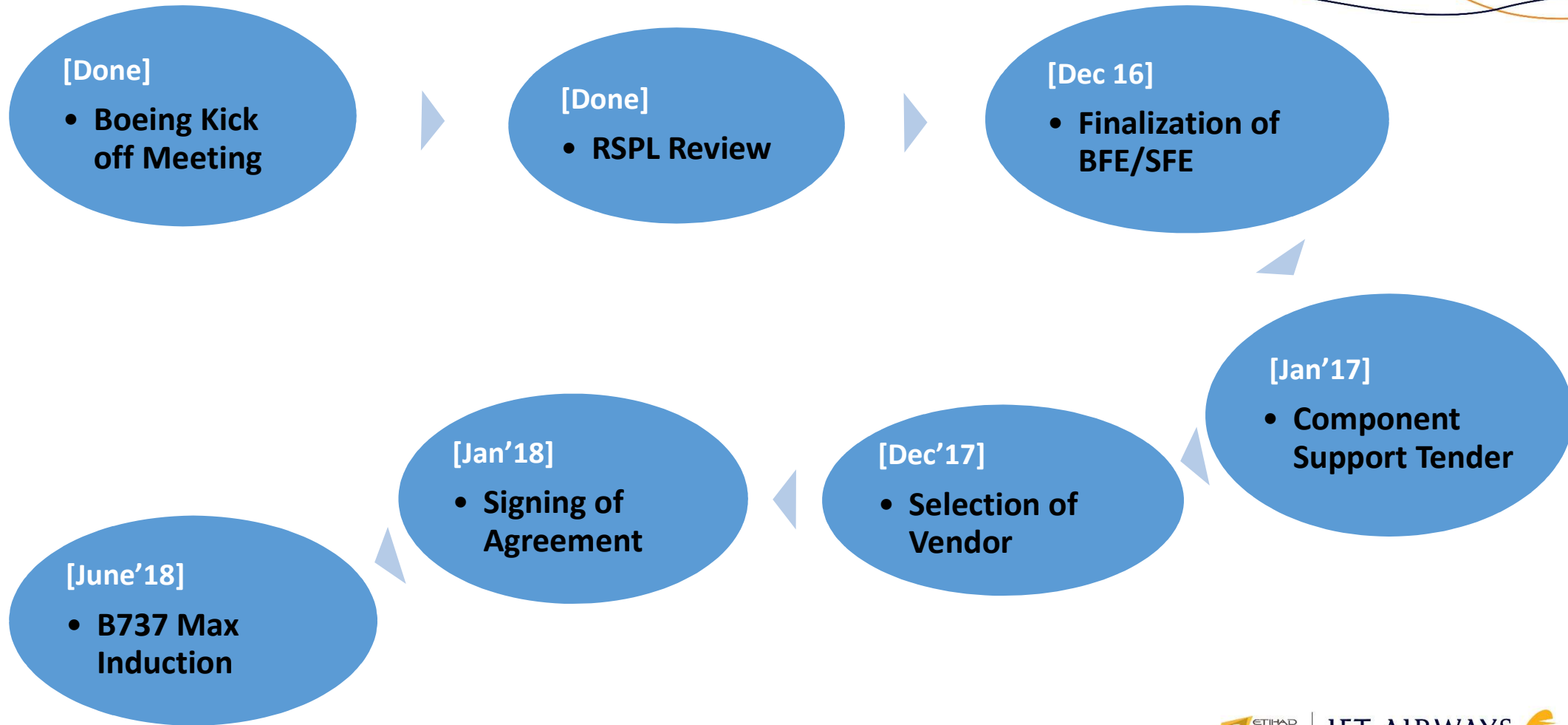
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Vendor-Operator Relationship

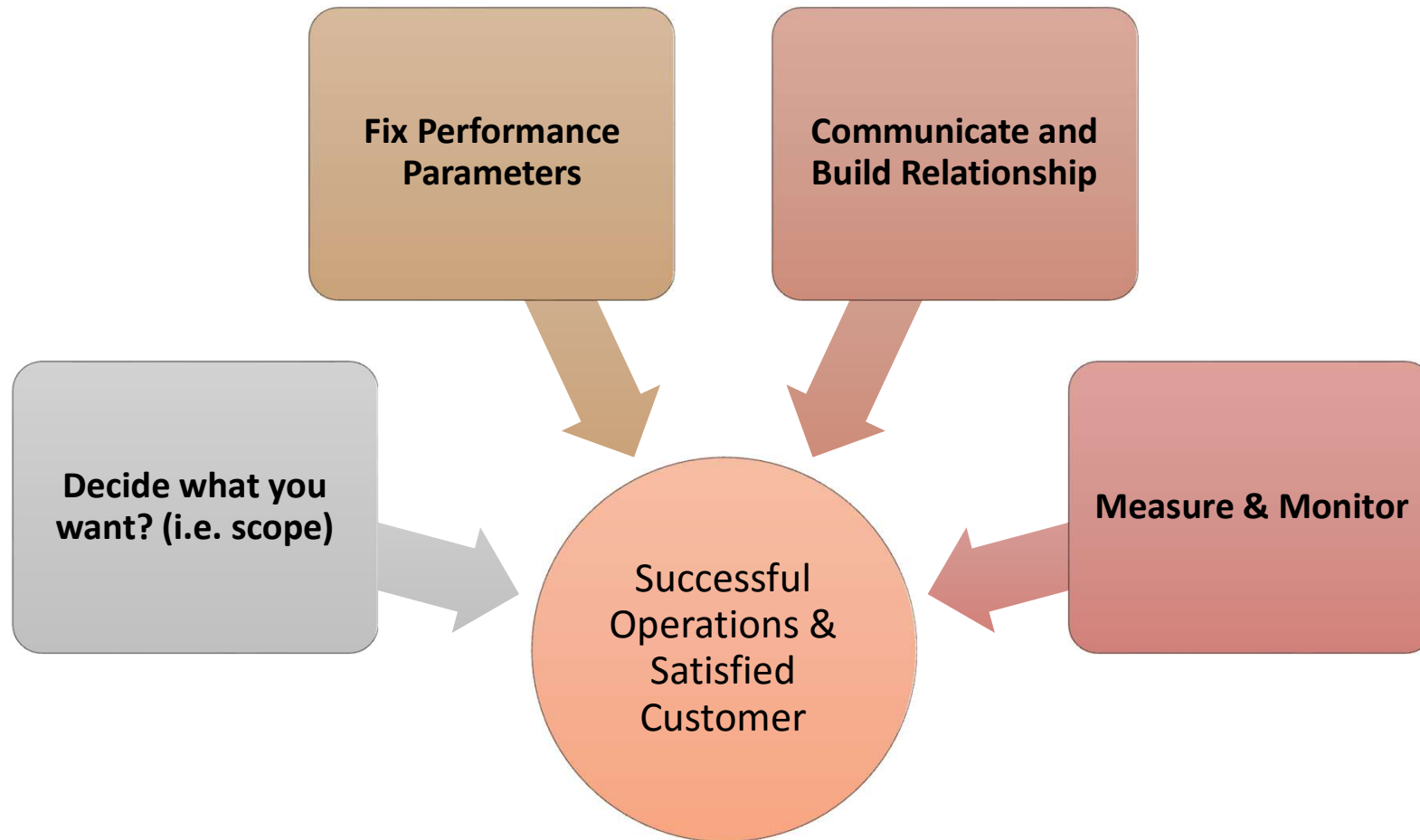
How to achieve it?

- Quarterly engineering review meeting
- Quarterly commercial review meeting
- Monthly sharing of performance review between both the parties
- Allocation of onsite Liaising Manager
- Dedicated Customer Support Manager offshore
- Responsive AOG support 24X7

Boeing 737 Max Induction



In Conclusion...



Q&A

Thanks!