



MRO Americas 2016

Mainline/Regional Collaborations

Air Canada/Jazz





- Vendor relationships built with the regional airlines
- Buying power is with mainlines
- Typically mainlines have several regional airlines many who operate like fleet types
- Both mainline and regionals have negotiation tactics and contractual language which can benefit each other
- Vendors also benefit from joint agreements which reduce overhead and capital expenses





- Largely independent IT systems, primarily the result of historical realities
- Going forward there is a desire to move to some common platforms, especially SOC systems, leveraging the collective strength of AC / AC Express (Jazz)
- Jazz has acted as a proving ground for new systems or technologies prior to being adopted on a larger scale by Air Canada





APPEARANCE



- Jazz works to the standards set by Air Canada, particularly cabin, paint and airports
- Jazz uniform procurement is managed through Air Canada's master contract with their uniform provider
- Provides a consistent look between Air Canada mainline and Jazz both externally and internally





- Mainline and regional airlines reduce airport costs and increase square footage capacity by sharing facility resources
- Pass through costs from regionals to mainlines are controlled or eliminated by mainline coordination
- Route structure, normally mainline driven, takes into account facility constraints when controlled by mainline





- Sales, Product Distribution, Marketing and all other passenger and cargo revenue functions reside with Air Canada
- Jazz disruption impacting customer journeys are managed initially by Jazz SOC in close coordination with their Air Canada counterparts and the Air Canada Res offices





- Different Transport representatives
- As required under Canadian Aviation law Jazz maintains its own relationship with the regulators.
- Jazz and Air Canada consult on and coordinate responses to various industry regulatory concerns
- Jazz and Air Canada also work together in other areas such as Airport Consultative Committees to push the priorities of the Air Canada family



Transports
Canada

Transport
Canada



- Insurance coverage by mainline for all regionals enables sole source and direction for claims
 - Caution – specific insurance must be considered in cases where mainline or regional provides services for the other. When using the same insurance provider ensure cross coverage when handling the others aircraft
- Fuel cost can be reduced when combined with regionals
- Internal Audit control – Many mainline and regional airlines duplicate efforts while gaining very little
- Marketing – although costs are reduced though single source marketing there is always a risk of loss of identity. This should be balanced.



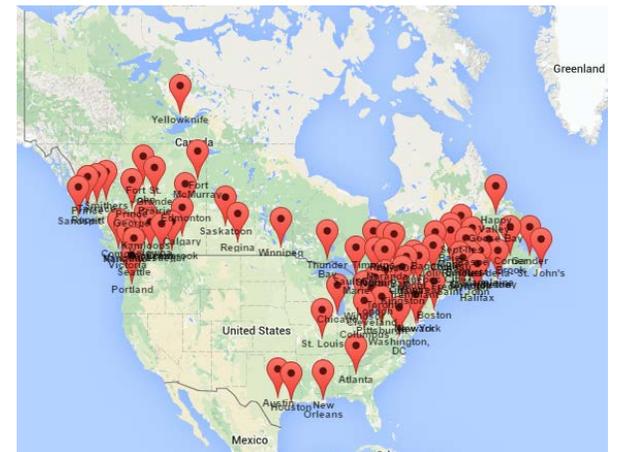


- Many “Programs” require long advance notice to retrofit the fleets
 - Inflight Entertainment
 - WiFi
 - Catering
 - Seat pitch
 - Ovens
- Regional aircraft purchases too must adhere to the Programs requested by mainlines. Regional aircraft Manufacturers need to account for mainline desires





- Air Canada sets the schedule using “scheduling parameters” negotiated between the two parties. These scheduling parameters lay out the agreed upon aircraft down time / RON counts and other maintenance/airports requirements so that Air Canada can independently design a schedule that will work
- Major changes to base structure and fleet redeployment are analyzed jointly with sufficient lead time to enact required changes
- Flight crew costs must be considered





- On Jan 15, 2015 Air Canada announced an extension to the Capacity Purchase Agreement (CPA) with Jazz through 2025 which provides for significant cost reductions for both parties, strengthens the relationship and better aligns their interests over the long term
 - Pilot mobility agreement.
 - Simplification and modernization of the Jazz fleet.
 - Reduction in Air Canada and Jazz costs derived from a combination of improved fleet economics, greater network flexibility and reduced operating and labour costs.
 - Modification of Jazz's CPA fee structure, moving from a "cost plus" mark-up to a more industry standard fixed fee compensation structure. This will provide more cost certainty and better align the cost reduction goals of both Air Canada and Jazz. This eliminates non-value added costs.
- Air Canada and Jazz setting the standard for airline performance