



Lisbon, Portugal: 11-13 October 2017

The baseline of Humanitarian Aviation!

- Seamless Service
- Visibility of the humanitarian action and service
- Safety & Quality – raising the standards
- Value for money
- Fair & Mutually Beneficial Partnership



World Food Programme

Fighting Hunger Worldwide



We support Mama Ibado Charity – Feeds over 500 elders every month!!

- With the motto! – feeding the elders is our responsibility
- The annual medical camp – volunteer doctors flown in and out by 748

**MAMA
IBADO
CHARITY**



Isiolo here
we come!



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Breaking the barrier of distance and time!

- Cost Factors
- Political and Legal Factors:
 - Regulated and restricted
 - Tax policies
 - Clearances/ Authorizations and taxes
- Economic Factors
 - Cycle Peaks and Troughs
 - Asset Equipment Values
- Lack of Infrastructure
 - Air Traffic Control
 - Jungle Jepps
- Maintenance Supply Chain challenges

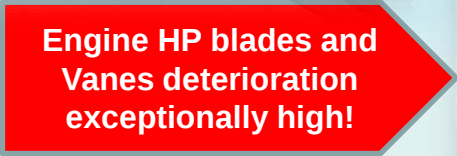


**“When roads are impassable
or infrastructure is destroyed,
WFP turns to the skies!”**

- Harsh Terrain
- Unpaved strips
- Desolate & War-torn
- Logistics Nightmares!
- Hostile areas and fields



**Another blade
bites the dust!**



**Engine HP blades and
Vaness deterioration
exceptionally high!**

PCE-FA0123

27 Sep 17
15:5

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EVENTS STATISTICS GRAPH



The business model: - Revenue as a factor of cost and margin:

SIM &
Ground
School
sessions

- Aircraft Direct Costs
 - Ownership costs
 - Crew costs – salaries, training, accommodation and meals, rotation and local transport, CPA etc.
 - Maintenance costs
 - Insurance costs
 - Parking & Handling costs



- Aircraft Indirect Costs – Ground & Air Support Costs
 - Base cost salaries
 - Base Rents
 - Communication and IT costs

A net margin below the Risk Free rates is unsustainable in the long term.

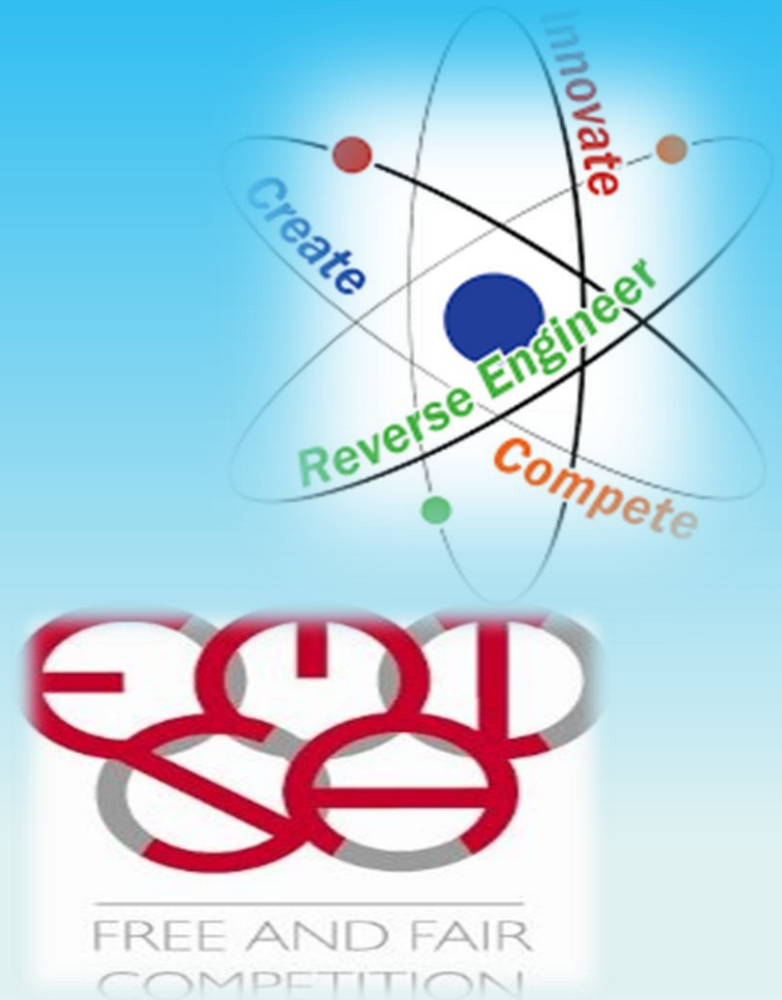
Water Evacuation training cabin crew



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The trade is demystified

- Raising of standards in the industry
- Increased numbers of choices for the service consumers
- Essential element in the efficient working of the humanitarian aviation industry
- Product differentiation – creativity and innovation
- Technology advancement



What drives the intensity?

- High Exit barriers
 - Hefty Capital Outlay
 - Aircraft
 - Inventories
 - Infrastructure
 - High Fixed Costs – breakeven??
 - Salaries
 - Aircraft maintenance
 - Switching costs - Minimal Industry Substitution
- Low Product Differentiation
- High bargaining power of the buyer of services



Price spiral down year after year! - Short-term survival measures

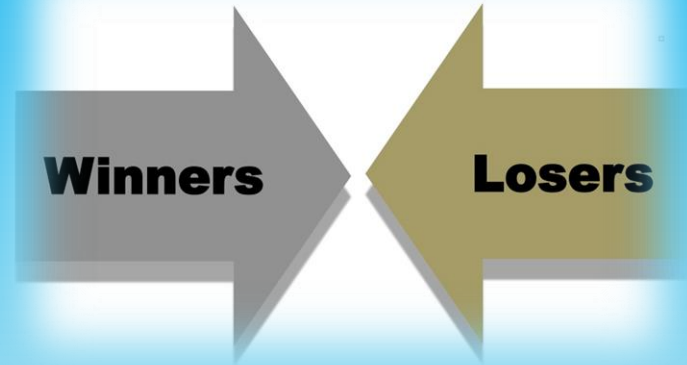
- Embrace a Lean & Mean Organisation (redefine the fixed costs)
 - Optimise without compromising Safety and Quality
 - **When do we stop?**
- Marginal costing:- the cashflow myth!
 - cover the variable costs and ignore the fixed costs – postpone the day of reckoning!



The zero sum game

- **Buyer** short-term gains at the cost of service
 - On time departures and reliability compromised.
 - The supplier may not deliver the promised backup service. Can't afford
 - The MGH versus AOH. Unconsciously, the supplier may strive to limit performance to MGH only. Yes, to mitigate losses!
 - The lean & mean organization may not optimise on service delivery
- **Supplier**; hopes to raise the price when demand outstrips supply
 - Chancing on the day of reckoning.
 - More debts, more management time to deal with cashflows
 - Business sustainability in question

Zero Sum Game



More transparency

- Demonstrate transparency – open the books – moral responsibility!
- Go beyond the current supplier grading – dig for further product differentiation
- Weighted technical score – weighted price rate
- More engagement with the players



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END

