

EXECUTIVE SUMMARY

This project identifies opportunities for Oman Air to reduce the aircraft maintenance cost. It addresses areas within the engineering department wherein the cost can be reduced. The project problem has been focused in three different areas. The first is the increasing freight cost with the expansion of the fleet. Second is the complexity and high cost in ordering of components for engineering department. Third and final is the increasing cost of galley maintenance as a result of out-sourcing of galley inserts. Oman Air strategic direction is focused to break-even by 2022. With the burden at the end of 2018 of RO 228 million loss, all departments will need to go the extra mile to realize the target of breaking-even by 2022.

Based on the analysis of the financial reports and the interviews with the Oman Air management the root cause of the poor results can be attributed to attributed to the global economic downturn, significant competition in the region and the reduction of oil prices. The aircraft maintenance cost is the 6th highest cost element for the airline. Oman Air engineering department on its part has identified areas where it can reduce the overall cost for the department in 2019.

The current situation analysis was carried out through a cause and effect diagram. It was analyzed under three areas. First related to high logistics cost. The second related to high cost of components. The third and final related to high cost of galley component maintenance. The detail theoretical underpinning has directly supported to justify and understand the problems and root causes for the problem, development of solutions and to provide the recommendations. Further those key four areas were identified as key project components.

In chapter four, the objective of the study to recommend a plan to reduce the aircraft maintenance cost was established. With the new freight arrangements, the logistics cost will be reduced by 18% per annum or RO 392,000. The implementation of long term contracts for components will benefit the airline by RO 70,000 or 4% of current cost. The in-house maintenance will benefit the airline by RO 38,000 or 50% of the current cost. It will also encourage other workshops to enhance the capabilities that will be required to canvass for third party business.

The senior management of engineering involvement will be required for the project to be a success. There will be greater involvement required from Technical Purchasing Department and Base Maintenance Department. Solutions were developed after detail analysis of the problems that were identified under each project component and sub-

component. For each project component there is a dedicated team with specific roles that have been entrusted. Due to the lack of in-house expertise in freight contracts and strategic sourcing of components the assistance of external consultants will be engaged. For each of the project components the cost-benefit analysis has been identified. The detailed project plan will be monitored closely to see that the tasks occur as planned.

Finally, in the fifth chapter the recommendations that are to be implemented have been identified. The replacement of logistics provider, establishing long term contracts for components, sale of slow moving components, installing “i-supplier” for Oracle financials, gaining in-house capabilities for galley inserts and introduction of a preventive maintenance program for galley inserts were considered as recommendations in the short term. As long term recommendations identifying opportunities for sea-freighting of components, introduction of PMA parts and enhancing in-house capabilities in other work shops have been considered.