

Homework

Chapter 6

The Airline Planning Process

1. Describe each of the following terms. Provide the units (as applicable) and the equation used to define the term.
 - a. Annual Scheduled Flights =
 - b. Annual Block Hours =

 - c. Average Passengers per Flight =
 - d. Revenue Passenger Miles (RPM) =

 - e. Passenger Yield =
 - f. Available Seat Miles (ASM)=

 - g. Seat Departures =

 - h. Average Load Factor =

 - i. Aircraft Operating Costs per Block Hour =

 - j. Total Route Direct Operating Costs =

 - k. Total Route Pax Service Costs =
 - l. Total Route Traffic Service Costs =

 - m. Total Route Aircraft Service Costs =

 - n. Total Route Promotion and Sales Costs =

 - o. Total Route G&A Costs =
 - p. Total Route Operating Costs =

 - q. Total Route Operating Profit =

 - r. Total Route Profit Margin =

2. Compute the Route Profitability of the MSY-DEN Route using an A320. Use the values of parameters below. Show computation of all intermediate steps (i.e. parameters defined in Question 1).

ROUTE PROFITABILITY ANALYSIS

Annual Demand Prorated Average One-way Revenue

DEMAND AND AIRFARE ESTIMATES FOR ONE YEAR

Total MSY-DEN local Passengers (both directions)	102,000	
Expected market share for one daily flight (%)	70	
Local MSY-DEN passengers on new flight	59,740	\$450

Additional Traffic

Connections behind MSY to/from DEN	24,000	\$425
Connections to/from MSY beyond DEN	12,000	\$400
Connections behind MSY to/from destinations beyond DEN	4,500	\$375

<u>Total Passengers all Directions</u>	100,240
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Additional Cargo Revenue (=10% of pax revenue)

TOTAL REVENUES

INPUTS AND ASSUMPTIONS

Aircraft Type	A320
Number of Seats	149

Total Annual Flights each direction (=98% completion of daily schedule))	358
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Block Hours MSY to DEN	8:00
Block Hours DEN to MSY	9:00

Non-stop miles (MSY to DEN)	1383
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Aircraft Operating Costs per Block Hour

Crew Costs	\$477
Fuel/Oil	\$2,413
Ownership	\$730
Maintenance	\$523
Total per Block Hour	\$4,143

Indirect Operating Cost	\$0.02	per RPM
Traffic Servicing	\$22	per Enplanement
Aircraft Servicing	\$1,800	per Departure of Passenger Revenues
Promotion and Sales	9.00%	per ASM
G&A	\$0.002	per ASM