Commercial vs Military Aircraft MRO

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The Objectives Are the Similar, The Means Can be Quite Different

- **Technical Performance**
  - Safety / Quality / Reliability / Turn Time

- **Value & Flexibility**
  - Attractive Cost / Agility / Consistency

- **Continuous Improvement**
  - Progressively better performance

*So, how do we accomplish all of this?*
People

- Proven leadership
- Aircraft Model Expertise
- Extensively trained A&P mechanics
  - Unsurpassed structures ability
  - Broad Engineering capabilities
- Right corporate culture

Pemco’s Value Proposition
People
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Processes
- Standardized approach
- Efficient use of key assets
- Relentless pursuit of KPI drivers (e.g. reliability↑, span↓, cost↓)
- Smart investments around LEAN/CI, technology, efficiency

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**Facilities & Locations**
- Multiple locations—same company and processes
- Revenue In & Out (TPA & CVG) – Highly Efficient
- Efficient movement of materials and people
- Convenient optional drop-in maintenance locations
FLEXIBILITY, EFFICIENCY, CAPACITY
CONTINUALLY MOVING FORWARD

PEMCO / Cincinnati

PEMCO / Dothan

PEMCO / Tampa

T2 HANGAR BAY LAYOUT
CONTINUOUSLY IMPROVING ON PREVIOUS MODELS

Green for Flexible Side Access

Yellow
Do not Block
Under Wing Access
Off-Loading Access
DOD MTC centers often have hundreds of millions in assets awaiting service.
More down time requires more assets.
More assets consume more capital that could be redeployed.
Independent MROs exist by delivering compelling economics through effective use of capital and assets (people and otherwise).
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**Economics**
- Providing exceptional value
  - Attractive pricing
  - Low cost of operations
  - Efficient use of capital
- High quality / low rework cost
- Benefit sharing with customer

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Military vs Commercial

U.S. ALC & FRC

- 5 YR+ PDM cycle – lots of damage accumulated
- Limited knowledge of AC condition prior to induction
- Piece mill environment – mechanic gets tools/parts
- Insufficient ability to plan and provision before arrival
- DOD processes contribute to pace limitations
- Contributes to LVM (145 to 250 hrs/day common)
- Culture that everything must be new and often overbuilt

Commercial MRO

- Phased On-Condition MTC
- Extensive advance knowledge and preparation; reflow often
- Deploy only high valued-added process and technology—nothing fancy
- 6.5+ productive hrs/day/mech
- HMV common -- 450 to over 1000 MHs/day typical
- Ongoing war on waste and constraints
- Culture of lean
Pemco Proprietary

Commercial MRO Benefits

• Comparable technical performance
• Substantially shorter span times (via HMV)
• Increase aircraft yield and fleet readiness
• Compelling economics - lower PDM costs
• Frees capital for other priorities
• Equal or less technical risk
• Partner in helping meet challenging go-forward budget reality
• A step forward toward ensuring America stays strong for our children
Recommendations for Airframe MRO Collaboration

**Military Insource**
- Consistent, repetitive
- Level-loaded
- Surprise-free
- High capital cost but with high payback (e.g. risk avoidance)

**Industry Outsource**
- Inconsistent workscope
- Variable volume
- Specialized skill
- Non-routine intensive
- When shorter spans are a must
For Your Entertainment...

High Velocity Maintenance

PEMCO’s Dothan, AL Mod Line
110 Jets Modified in 90 Days in 1 Location
Know-how you can rely on.