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3rd Quarter 2008

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The Power of the Pool

The Easiest Way to Lower Insurance Costs

By James K. Coyne

Everyone is looking for ways to lower overhead costs in today's economy, and one good place to start is with your insurance program. Most of us find insurance policies confusing and are confounded by the unpredictable cycles in insurance markets. Buying insurance a few years ago was a painful process, especially in the post-9/11 aviation business community. Today, however, the aviation sector has more capacity and provides better value than risk managers have seen in years. Now is a good time to see if your policies are right for you and your checkbook.

NATA Membership Pays

The basic principle of all insurance is that underwriters sell policies to thousands of different companies and make money as long as their total premiums and investments exceed total losses and costs. When they look at a particular customer, they charge more when they are unsure or uncomfortable with the risk involved and less if the risk is more predictable and well-managed. Over the years, NATA has worked with insurance companies, agents, brokers, and our member companies to find new ways to lower risks, reduce losses, and create programs that help our members lower their insurance costs. Many NATA members have found that being part of an NATA insurance program can help them save thousands and thousands of dollars.

The best example of this is the NATA Workers' Compensation Insurance Program, established more than 30 years ago and today one of the largest programs of its type in the nation. More than 650 NATA member companies participate in the program, which is underwritten by USAIG, the largest aviation insurance company in the country.

The fundamental principle of the NATA Workers'



Comp Program is to create a pool of aviation service businesses, thereby improving the management of risk, losses, and expenses. Creating a pool of 650 companies spreads the risk and makes it more predictable. By concentrating just on NATA member companies, we've also been able to develop training and safety programs that have dramatically reduced the number and severity of employee injuries, and

By concentrating just on NATA member companies, we've also been able to develop training and safety programs that have dramatically reduced the number and severity of employee injuries, and thus losses. The NATA program has also allowed USAIG to save millions of dollars in marketing and sales expenses, which in turn has allowed the program to provide a unique benefit to our members: a dividend!

thus losses. The NATA program has also allowed USAIG to save millions of dollars in marketing and sales expenses, which in turn has allowed the program to provide a unique benefit to our members: a dividend!

In fact, almost \$60 million dollars in total dividends (technically known as "good experience returns") have been earned by our members since the program was established. And with the help of

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President's Message

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the NATA Safety 1st training programs and products, the losses in our pool have declined, on average, steadily over the past decade, allowing the good experience returns to grow to more than \$6 million last year alone.

Good Experience Returns

Of course, not everyone can join the NATA program. Only NATA members are accepted, every applicant must meet USAIG's underwriting standards, and companies in four states (North Dakota, Ohio, Washington, and Wyoming) are excluded because of state restrictions. But USAIG has learned after 30 years of exceptional performance that NATA members are a good risk, and each member company, no matter how small, deserves to be treated like it was their biggest customer, because the NATA program is, in fact, USAIG's biggest workers' comp customer.

NATA program participants are also encouraged

to share a portion of their dividend with NATA to help underwrite our safety programs and seminars. Each participating member company receives a personal invitation to contribute to NATA when their "good experience return" check is mailed in December, and I hope we can count on your support again this year.

If you are not already part of the NATA insurance pool, you can ask your agent or broker to enroll your company in the NATA program or call NATA directly at (800) 808-NATA. If you call me, I can tell you how much your dividend check would typically be based on your company size and premium amount (usually it's between 10 and 20 percent of the annual gross premium). No matter how big your company is or how long you've been in business, I know you'll be impressed. This is an outstanding NATA benefit, and you'll appreciate the rates, the service, and especially the check at the end of the year.



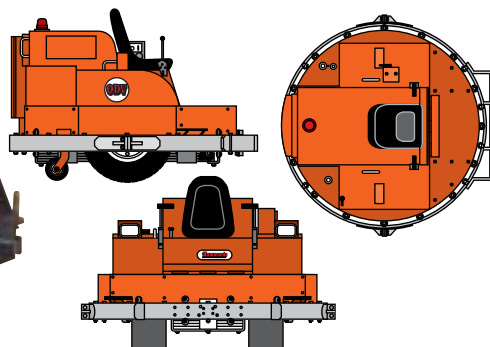
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Exercise Your Constitutional Privilege on November 4

By Eric R. Byer

As I write this column, we now, finally, have Vice Presidential candidates for both parties. First, Democratic Presidential Nominee Barack Obama selected Sen. Joseph Biden (D-Del.) to be his running mate for the fall campaign. Selecting Biden certainly shores up Obama's weak record on foreign policy and places a bona fide ally of blue collar workers, a segment of the electorate from which Obama has struggled to gain support, on the ticket. Obama's selection of Biden also eliminates one of his harshest critics during the campaign—Biden. More importantly, Biden's selection puts him front and center as someone who, as a friend and colleague of John McCain in the Senate, can counterbalance much of McCain's experience and mute those accusations that Obama has little background dealing with foreign policy and defense issues.

Shortly thereafter, Sen. John McCain selected Gov. Sarah Palin (R-Alaska), a mother of five and gun-carrying pro-life Republican who defeated incumbent Republican Governor Frank Murkowski back in 2006. Palin has been widely credited for cleaning up some of the unnecessary spending that has taken place with Alaskan politicians (she actually sold the gubernatorial plane) and has a bit of a maverick streak to her that many have embraced. Will Palin attract the Hillary Clinton female vote that is disgruntled with Obama? There certainly is that potential. And the fact that she shores up the conservative base, who was quite miffed up until her nomination, makes Palin an interesting pick that could push McCain over the top in November.

Unfortunately, this fall will likely showcase much of the same that we have seen in previous elections, with attack ads, terribly boring debates where moderators ask the same questions disguised in different ways, and non-stop political commentary ad nauseam.

The question on most American voters' minds is how will each of these candidates actually improve, if possible, the major factors that affect my

daily life, including the economy, fuel prices, and health care? For our members, the question remains the same, how will each candidate affect my business and daily operations? More than ever, it is incumbent upon all voters, including our members, to take a moment to review each candidate's position on the issues that affect them so that when they go to the polls on November 4 they cast an informed vote, rather than one based on what the political pundits have to say. One of the great privileges that we, as American citizens, have is the right to vote. We must take this Constitutional privilege seriously.



A Closer Look at the Candidates

To give members a start, I have done a little research into both campaigns, and having dealt with both Senators' offices on Capitol Hill, I have tried to provide a fair synopsis of what our member companies might expect from each candidate if elected. I have provided links to the web pages of both of the candidates' campaigns (www.johnmccain.com, www.barrackobama.com) so you can more thoroughly examine their respective positions.

Clearly, transportation is not a major issue that either campaign covers on its website. NATA recently submitted questionnaires to both campaigns asking for their responses to a number of questions on aviation issues affecting our membership. Whether we receive responses remains to be seen. However, I think there are some telling signs as to what can be expected from each campaign on a few of the issues.

First, user fees. Although we are all growing weary of the subject, user fees will unfortunately continue to be an issue as long as the legacy air-

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lines are in business. McCain has historically been a critic of those “fat cat” members of the business elite who use business aviation for their traveling needs. Ironically, McCain himself was a frequent flyer on corporate aircraft back to his home state of Arizona before the perimeter rule that forced him to connect through Chicago, St. Louis, Atlanta, or Pittsburgh was abolished. After 9/11 and the abolishment of the perimeter rule, he was, of course, able to catch that direct flight back to Phoenix. McCain has lately been relatively silent on user fees, primarily because he has been campaigning for president and is no longer Chairman of the Senate Commerce Committee, which has jurisdiction over aviation issues. However, McCain has hinted in the past at making general aviation pay more into the air transportation system. It is clear that the current

As fuel prices continue to plummet, what real change will take place? The best bet is that some sort of expansion in drilling will be mandated and both candidates will hop on board.

Republican administration firmly believes that user fees are appropriate, and there is no evidence that a McCain administration would not follow suit.

An Obama administration could more likely be an opponent to user fees than a proponent. The National Air Traffic Controllers Association, which has aligned with the GA community against user fees, endorsed Obama, giving him a large constituency of support. Rattling their cage would not endear him to this base. Obama's Illinois colleague in the Senate, Richard Durbin, also has been against user fees and has a substantial, direct influence on Obama. However, the Clinton administration in the late '90s had a history of recommending user fees within its annual budget proposals. The verdict is still out on Obama, but he is more likely to oppose user fees than McCain, in my opinion.

Second, general aviation security. Many of you have heard about the new Large Aircraft Security Program that the Transportation Security Administration could soon be offering as a proposed rule. How either a McCain or Obama administration might continue the implementation of this rule is unclear.

McCain is a steadfast and ardent supporter of America's defense and homeland security opera-

tions. Much of the debate on GA security to date has been quietly spurred on by the United States Secret Service. Certainly, protecting the President of the United States gives this agency some clout on the issue. But as a Republican, McCain must secure the support of the millions of small businesses throughout this country. Imposing burdensome new security requirements for GA would certainly run contrary to traditional Republican values of supporting the growth of the small business community.

Democrats on Capitol Hill have been fairly vocal that there continues to be loopholes in general aviation security. The press has certainly latched onto this belief and in many ways has driven this agenda.

At this point, there is no clear indication what either candidate's administration would do on GA security. The McCain position can be viewed at www.johnmccain.com. Click on national security. The Obama position can be found at www.barackobama.com. Click on homeland security.

Third, energy. Fuel prices are up. The demand for charter is generally down across the country. It is clear that all the rhetoric on new alternative energy sources will foretell change of some type once a new president takes office. McCain has pledged to do more drilling. Obama has indicated he would bless that idea as well. But as fuel prices continue to plummet, what real change will take place? The best bet is that some sort of expansion in drilling will be mandated and both candidates will hop on board. Energy is one area on which both candidates' websites have a fair amount of information, and I would encourage you to review their positions. On McCain's website, click on the energy button, and on Obama's site, click on the energy and environment button.

Finally, the economy. Both campaigns have extensive economic plans including small business components. Reviewing each campaign website, it certainly seems that McCain has a more robust plan for small businesses, including tax reductions, lower health care costs, energy costs, and growth potential. Obama's plan would waive all capital gains taxes for start-ups and small businesses “to encourage innovation and job creation.”

Both proposals can be seen on the candidates' websites by clicking on the “economy” button.

Please make sure you take your Constitutional privilege seriously. Take the time to research each candidate's position on the issues important to you and head to the polls on November 4!



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When Will SMS Be Required?

By Russ Lawton

"When will SMS become a requirement?" is a question frequently asked of NATA Safety 1st. Well, it depends on the part of the world in which you operate. On January 1, 2009, the International Civil Aviation Organization (ICAO) will require countries to make implementation of a safety management system (SMS) mandatory for any certificated operator. As you can well imagine, many countries (including the U.S.) won't meet the January 2009 deadline. ICAO has circulated a proposal to extend the deadline to November 2009; however, as of this writing the January deadline remains in effect.

FAA Moving Slowly

Many countries will be forced to file a "difference" from the ICAO requirement as a result, meaning they won't be able to comply by the 2009 deadline. (Canada and Singapore are the only countries to declare their intent to meet the ICAO deadline.) The U.S. will be one of the many countries forced to file a difference as the FAA inches ever slowly to initiate rulemaking that would require U.S. airlines and charter operators to implement SMS.

The current FAA plan is to publish an advance notice of proposed rulemaking (ANPRM) before the end of 2008. The operative word here is "advance," as the ANPRM is intended to solicit feedback from operators, such as the economic impact of and time required to implement SMS, etc. Any actual proposed rulemaking

for SMS is several years away.

It's interesting that FAA Associate Administrator for Aviation Safety Nicholas Sabatini has declared that there will be one regulation developed for SMS, instead of modifying existing regulations. This means there will be one comprehensive rule to require SMS for the following:

- Scheduled Airlines (Part 121),
- On-demand Charter (Part 135), and
- Repair Stations (Part 145).

As of this writing, there were no plans to include aircraft certification, Part 141 pilot schools, Part 142 training centers, or shared aircraft ownership (fractional) 91K operations in the new regulation. But stay tuned, that could easily change.

The next step to make the "one SMS rule" a reality is for the FAA to establish an aviation rulemaking committee (ARC), composed of FAA and aviation industry representative companies that would be affected, to provide guidance on how the new rule would be written and the implementation process. A notice of proposed rulemaking will follow once the ARC has completed its work, allowing more time for the aviation industry to comment.

The bottom line: Don't expect to see a regulation in place until 2013, unless the newly elected administration decides to push it through sooner (not likely).

You shouldn't adopt the attitude, "With a regulation years away, I'm not going to worry about this until it becomes mandatory." You'll be

way behind the proverbial power curve if you do. It takes three to four years to fully develop an SMS, which is why many companies are already well into the development process.

Another reason to get started is that if you operate outside the U.S., your business will most likely be affected long before any new FAA rule is adopted. Some countries are already raising the possibility of prohibiting anyone without an officially recognized SMS from operating in their airspace. This policy could extend to landing slots as well.

Voluntary SMS

The FAA is developing a voluntary SMS implementation program to assist operators and head off potential problems during international operations. Although the program is still a work in progress with a draft advisory circular, any operator that participates and meets the criteria would receive FAA recognition for its SMS. The form of recognition, however, is still under consideration. NATA has recommended that the FAA implement a voluntary operation specification (Ops Spec) for SMS, as this would provide both an official and internationally accepted form of recognition.

It's more likely that the FAA will instead issue a certificate of recognition. This might be more expedient because the FAA can neither officially "accept" nor "approve" an SMS program until it becomes required by regulation. A word of

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The AVSiS Safety Advantage

By Jacqueline Rosser

In the financial world, disclaimers abound stating, "Past success is not an indication of future performance." Similarly, an accident-free history is not necessarily a predictor of an accident-free future. An aircraft operator should never be lulled into the false sense of security that, because it hasn't happened yet, an accident will never happen. It has been estimated that for each fatal accident as many as 360 incidents occur. Identifying and acting upon these incidents is essential to ensuring the ongoing safety of any aviation business endeavor.

Encouraging Safety Vigilance

The Air Charter Safety Foundation (ACSF) has announced the availability of a revolutionary software program for the on-demand and shared aircraft ownership industry that addresses the need to maintain a constant watch for emerging safety issues within their operations. This comprehensive computer program is called AVSiS, or Aviation Safety Information System, and its use allows operators to collect detailed safety event data for analysis, response deployment, and success measurement and provides a tool for accounting for the cost savings realized by interventions.

ACSF encourages all eligible operators to obtain and implement AVSiS. To ensure widespread deployment to as much of the industry as possible, ACSF is offering the program at absolutely no charge to all Part 135 operators and 91K program managers. ACSF is also providing the necessary computer database structure. Each user account will include unlimited storage of AVSiS data on secure servers maintained by ACSF.

AVSiS deployment will allow operators and program managers to establish a non-punitive event reporting program, which is widely considered essential to a positive safety culture, and to maintain constant safety awareness in their company.

ACSF has developed AVSiS to be directly applicable to charter and shared aircraft programs and offer the valuable benefit of remote reporting capabilities, so employees may file information on a safety event from any authorized computer that is

connected to the Internet.

Users of AVSiS receive access to numerous features, including:

- Pilots, line employees, maintenance staff and all other employees are empowered through AVSiS to report safety information to the company safety manager for development of mitigation and intervention strategies.
- AVSiS gives users the ability to differentiate between types of safety events. Each event is logged as either an incident (event with a direct safety implication) or occurrences (events which may have resulted in an incident).
- AVSiS enables the user to categorize the event and apply a severity rating (important for Safety Management System (SMS) programs).
- AVSiS tracks event investigations and flags overdue items. The safety manager may make recommendations and monitor implementation of safety interventions.
- Safety managers can also use AVSiS to provide statistical reports and graphical trend analyses by incident type, aircraft model location, or other specified field.

Benefits for the Entire Industry

In addition to the individual user benefits, the database structure provided by AVSiS will allow ACSF to conduct high-level analysis of the data to identify industry trends and publish intervention strategies where appropriate, while maintaining the privacy of the unique users. As use of AVSiS grows, the entire industry will benefit from the trend analysis that ACSF can conduct to head off safety concerns before accidents occur.

More information on AVSiS is available on the ACSF website at www.acsf.aero/avsis. It is our hope at ACSF that AVSiS will be used by all eligible operators. By providing the software and database storage as a free service to the industry, there is no reason not to use and benefit from this program. Visit our website today, complete our simple on-line registration, and you will be on your way to having a dramatic, positive impact on your company's safety culture.

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Uneven Field

A photograph showing a fuel truck with a large cylindrical tank refueling the wing of a large commercial airplane. The scene is set on an airfield with a clear sky.

A fuel-pricing war in St. Croix in the U.S. Virgin Islands highlights the need for airport minimum standards and enforcement at airfields across the U.S.

By Colin Bane

With jet fuel prices soaring and competition increasing between FBOs at airports around the country, NATA is finalizing a new minimum standards document to help alleviate confusion and conflict at places like the Henry E. Rohlsen Airport in St. Croix in the U.S. Virgin Islands, where a fuel pricing war is resulting in the biggest fuel price disparity between FBOs at any airport in the country.

Bohlke International Airways (BIA) has been operating in the U.S. Virgin Islands since William Bohlke, Sr., started an air charter company in St. Croix in 1959 and began selling Texaco-branded fuel from its tank field in 1963. Nearly 50 years and two generations later, as Bill Bohlke, Jr., prepares to hand off the family business to his son William R. Bohlke, III, BIA is one of the highest rated FBOs in the Caribbean, ranking first in 2007 and consistently in the top three in the region by *Pro Pilot Magazine's* Pilot Survey.

Despite that reputation, Bohlke said increased competition and lack of minimum standards enforcement at the airport is threatening his business. As the airport has opened its field to leases from two competing operators to increase its revenue stream, Bohlke said the playing field is now tilted against him because his competitors are not being held to the same minimum standards for operating at the airport. One of those competitors, H&H Avionics, currently has the cheapest Jet A-1 fuel prices in the country, undercutting BIA's prices by as much as \$1.40 per gallon.

"It's like the Wild West down here, and they're not enforcing anything," Bohlke said. "If you don't have electricity and you don't have a parking area, and you're selling fuel off a trailer...yeah, you can sell the fuel pretty cheap. But this isn't some mom-and-pop airport down here. It's a federally funded airport. There have to be minimum standards and safety standards, and they need to be enforced. We've been here for almost 50 years, invested a lot in this airport and in St. Croix, and now we're being lowballed by somebody who is being permitted to operate with no overhead and without meeting a lot of the basic minimum standards for an FBO."

According to Airnav.com on August 29, Texaco-branded retail jet fuel at Bohlke International Airways was selling at \$6.15 per gallon, slightly less than at comparable markets at nearby St. Thomas (\$6.39/gallon) and San Juan (\$6.28/gallon) and slightly more than at Isla Grande (\$5.83/gallon).

Meanwhile, Caribbean Flight Center, the third FBO at Rohlsen Airport in St. Croix, was selling unbranded fuel at \$5.19, and H&H Avionics was selling unbranded fuel at the same airfield for just \$4.75 per gallon, by far the cheapest fuel in the Caribbean and among the cheapest anywhere in the United States. All three FBOs sell essentially the same fuel, from the nearby HOVENSA refinery. The main difference is in the overhead costs: BIA runs a full-service FBO; H&H Avionics is strictly in the fuel business.

"The price disparity and the difference between our operations is so ridiculous you want to laugh,

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but it's not funny," Bohlke said. "It's crazy. They're selling fuel so cheap—it's the cheapest fuel in the country—and they can afford to do it because they aren't being held to any kind of standard for operating at a federally funded airport. We have maintenance, we have a flight school, we have charter, we have rental—that's what an FBO is about. But fuel sales are part of the bread and butter of any FBO, and we're being undercut by an operation that nobody seems to want to do anything about."

The View from Across the Field

On the other side of the conflict in St. Croix is Rocky Hughes, a Vietnam vet who owns and operates H&H Avionics. Hughes said he has nothing but respect for Bohlke and isn't looking to compete with BIA for the major airlines' business, for private jet business, or even in airport services. He's doing one thing, and he's doing it on the cheap.

"We're like the corner gas pump across the street from the full-service Texaco," Hughes said. "Bohlke International is a very nice place, and he's got a first-class premium service. One whole segment of the customer base is always going to go to BIA. We handle some of the local commuters, the private 135 operators, a couple of friends, maybe a couple of people who come here from the states from time to time in their little business jets, but primarily it's all Caribbean customers. I know I'm not going to impress the major airlines or the guys who own Gulfstreams, and I'm not trying to. We run strictly jet fuel and basic services, so I don't have a 20-by-50 carpeted, air-conditioned, glass office for instance. All we do is come to the airplane and furnish the fuel."

Hughes incorporated H&H Avionics in 1994,

obtained a fuel concession services certificate from the Virgin Islands Port Authority in 1998, and beat out BIA for a Department of Defense military contract for \$3.2 million in 2002. He said he's now selling fuel at a very small profit margin, just above wholesale rack rates, and is proud to provide fuel in the Caribbean at a price point competitive with stateside pricing.

"Originally, we were just setting up to match the prices in Puerto Rico; then, I started doing a little bit of market research and realized I could get right in line with the stateside prices as well," Hughes said. "The other two operators here are gouging, charging to excess, because they're using their fuel sales to cover their other expenses. I think Bohlke is probably paying as much as 15 to 17 cents a gallon just to fly the Texaco banner on top of everything else he's got going on over there. I didn't see any benefit to selling branded fuel, so I just stayed independent. Because I'm not trying to compete with Bohlke International on any other front, I'm able to keep my overhead down."

Hughes offers price protection, allowing customers to lock in a fuel price on the day they place their order, up to a full week ahead of fueling. He also offers a fuel bank, meaning his customers can purchase fuel at the current price and take delivery months down the line. If the price then falls below the price paid, Hughes credits the customer with the difference. He even boasts of a low-price guarantee, offering to match any lower price on the day of delivery, but the point is moot: Nobody in the Caribbean is underselling H&H Avionics on Jet A-1 fuel.

Hughes is a certified NATA Safety 1st Trainer, contracts with a dedicated hauler with a safety certificate from the HOVENSA refinery in St. Croix, uses a three-point filtration system to ensure clean fuel delivery, and complies by an Environmental Protection Agency plan for Spill Prevention, Control, and Countermeasure (SPCC).

He said he's also working to build out the infrastructure for his business and sees himself staying in the game for a long time to come, serving the small niche market he's carved out for himself.

"We're still under construction," Hughes said. "Our first hangar, a small maintenance hangar, is being completed now, and our offices are being built now. By the end of November, we'll have a small pilots' room with computers, telephones, and fax machines so they can take care of their business, but mostly what we can offer is a smile and a happy handshake, a cup of coffee, and big savings on fuel costs at this airfield."



Two Different Sets of Rules

Minimum standards documents are designed to dictate some of the basics of doing business at an airport. They tend to cover a lot of generalities and can also be extremely specific, but the overarching purpose is to ensure that anybody operating at an airport follows basic building codes, safety codes, and rules of operation. Ideally, a minimum standards document protects both the airport authority and individual FBOs and provides clarity for how the various companies at an airport interact, support, and compete with each other.

"Let's say you and I want to play golf, but you have one set of rules you play by and I have another set of rules," said Al Peterson, airport manager at Nantucket Memorial Airport and a member of NATA's Airport Committee. "How do we compete? I want to play by the rule book—you know, play it where it lies—and you want to be able to pick your ball up out of the sand trap, carry it to some better place, and pretend a few of your crazy shots didn't count. Unfortunately that's sort of what we've come to in some of these markets where the airport minimum standards are not being enforced."

Peterson has a bit of objectivity on the topic as he has exclusive rights at Nantucket Memorial Airport and hasn't had to deal with the kind of competition that Bohlke is seeing in St. Croix and other FBO's are confronting around the country.

"I don't know all the specifics of Bohlke's case down there in St. Croix, but I will say that his dilemma is not unique," Peterson said. "NATA is actively reviewing minimum standards and enforcement because what's happening in St. Croix is symptomatic. With fuel prices as high as they are and with airports looking to increase revenue by giving out new leases, it's creating new competition. And unfortunately, the playing field hasn't been level in cases where the minimum standards are not being enforced."

As airports seek out new sources of revenue, they've been giving out more and more leases to FBOs and even, in some cases, taking over the leases themselves and getting into the lucrative field services and fuel sales business.

"Sometimes competition between multiple FBOs is good, and sometimes it's destructive," Peterson said. "I don't know all the specifics about what's going on down in St. Croix, but it seems wrong to me that a guy can be in business for many years, following the rules, and making significant investments at an airport, and then have the airport let somebody else come in on a shoestring and com-

pete with him, selling fuel out of a truck. When you've got multiple FBOs at an airport, it's hard to compete if the airport authority doesn't maintain or enforce minimum standards."

Peterson said the conflict between BIA and H&H Avionics provides a starting point for addressing similar cases on a national level.

"I think the solution is pretty clear," Peterson said. "Enforcing minimum standards protects the people who are following the rules. It levels the playing field. Either you have the rules or you don't, but if you have them, you have to enforce them. Otherwise you've just got a lot of confusion and angst."

NATA Brings Unique Perspective

Eric Byer, NATA's vice president of government and industry affairs, said he receives phone calls every week related to minimum standards issues. "We see it frequently," he said. "Either the airport doesn't have a minimum standards document, or the document is antiquated thus not addressing current real-life issues that occur between businesses at an airport."

Byer said providing clarity about minimum standards is a priority for NATA and its members.

"NATA is now finalizing a new publication that can be used by GA airports and FBOs to foster a better process in the development of minimum standard setting at an airport," Byer explained. "As an association representing both FBOs and GA airports, we have a unique perspective in being able to identify the trouble areas that exist between both entities. We believe that our new minimum standards publication will provide a good reference point for airports and FBOs when establishing a new minimum standards document or updating an obsolete one."

Addressing the movement by airports to open up competition to generate additional revenue at an airport, Byer said, "Airports want to open up to competition, but when you get new FBO entrants coming in where the existing operators have been for a long time and have made a significant investment in infrastructure, it gets contentious as to if and how the new entrant will meet minimum standards requirements. And if there is no minimum standards document in place at the airport or the document is dated, the situation snowballs out of control with Part 16 complaints then being filed and the FAA taking years to resolve the dispute, if at all."

"Local politics generally make whatever con-

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flict that exists between competing businesses at an airport, or between an airport and a business, worse," Byer concluded. "Generally, local elected officials have no real knowledge or experience on minimum standards matters or airport regulatory requirements, which only compounds the problem. That is why NATA has created this new minimum standards document, to help minimize conflict and ensure an agreeable environment where both the airport and FBO can thrive without the political or regulatory drama that ultimately costs all parties time and significant money."

A Long History of Service

Bohlke International Airways has been operating in St. Croix since 1959 and originally got into the fuel business in 1961, beginning a long relationship with Texaco. As the BIA website notes, "Back then fuel was delivered in 55-gallon drums and pumped out with a hand crank and filtered through cheesecloth."

Texaco installed a 140,000-gallon tank farm in 1963, anticipating scheduled airline service to St. Croix (today BIA sees five flights a week from American Airlines and one from Delta Airlines). Bill Bohlke, Jr., and Ruth Ann "Tuddy" Bohlke took over the business in 1975. They sold off the fueling business in 1984 to focus on charter business and then bought it back in the rebuilding process after Hurricane Hugo wreaked havoc on both businesses, resuming operation of the Texaco tank farm. In 2005, Bohlke retired as an International 777 Captain and FAA flight examiner after 37 years of service to American Airlines.

Now William R. Bohlke, III, and his wife Laurie are poised to take over the BIA operations as Bill Jr. prepares to retire from the FBO business. The younger Bohlke has served as a part-time C130 pilot with the Puerto Rico Air National Guard and is making the transition to running BIA. He said he's not afraid of competition on the ground in St. Croix but wants to help ensure that there is not a drop in standards, safety protocols, or quality control in St. Croix or across the country.

"It's an island down here, with island rules and island customs, and everything is island casual," Bohlke said. "But on the national level and even down here in the Virgin Islands, everybody's got to abide by the rules, and they have to be set in stone or the legitimate guys are going to lose out to the suspect operators every time. For a long time we were the only guys down here, and my father and grandfather have worked really hard to build something good. I'm going to hate to see it if we ultimately end up getting our legs cut out from

under us by somebody playing by a different set of standards."

The younger Bohlke is a competitor at heart and said he thinks BIA will survive the current fuel price wars because of its reputation and the other services it provides.

"We're still in business because we have built a reputation for service and dependability, we carry all the insurance coverages, and people will keep coming back because they know we're legit," Bohlke said. "They care that we go that extra percent because the asset is so high with these aircraft. Still, it's awfully tempting. When you've got an enormous price disparity like we have on the ground here, in times like these, pretty soon it's not just these off-the-cuff start-up charters looking to cut corners."

Bohlke uses the same Texaco station vs. independent corner gas pump analogy that Hughes invokes in defense of his H&H Avionics operation, but he said the emphasis should be on quality control.

"We pay a premium for and pride ourselves on having good clean fuel, but the fact is everybody wants cheaper gas," Bohlke said. "You don't even have to be in the aviation industry to understand that. But as a customer you have to ask yourself, 'If there's a guy with something like a lemonade stand sitting across from the Texaco and selling gas for \$1.40 less than at the pumps, is it really worth it?' Everybody wants cheaper gas, but come on. Minimum standards help insure that quality is up to spec, that everything falls within the EPA standards, and that safety controls are in check. For the customer, if they want that lower fuel price, I guarantee they'll sacrifice quality control when the minimum standards and enforcement are relaxed. How much are you willing to sacrifice?"

Bohlke is betting that BIA's loyal customers aren't willing to sacrifice at all. BIA offers full-scale "red carpet service," charter services, and rental services and operates as the Caribbean Regional Distribution Center for Diamond Aircraft sales and service. BIA also offers flight school training in Diamond's single-engine DA-20 and DA-40 aircraft and the multi-engine DA-42.

"We really are a full-service FBO, and that's what our customers are looking for, but the fact is that fuel sales are a critical piece of it," Bohlke said. "As it is, it feels like we're being penalized for being everything an FBO ought to be. I hate to complain, and I give it to these guys who have found a way to make a quick buck, but there has to be a line in the sand: If you want to operate on a federally funded airport, you have to comply with the minimum standard. If you don't comply, you're done."



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Private Aviation: Navigating Today's Market

By Dan Tyburski

Entering the private aviation market can be one of the most rewarding personal and professional endeavors for anyone assisting aircraft buyers with their purchases. But with today's changing marketplace and numerous financing options, prospective buyers, with your guidance, have much more to consider than just a few years ago.

According to GABA, current economic conditions have contributed to a number of changes in the aviation market, including early softening in the pre-owned market, the extension of hold times, and more aggressive price negotiations across many aircraft models. The emphasis today is on newer, low-time, more efficient aircraft. Mid-cabin to heavy jets with relatively low time continue to drive much of the demand.

The industry is experiencing record-breaking deliveries from original equipment manufacturers, with future schedules extended well beyond 2015 for some aircraft. New product announcements, an active secondary market, and an ever-increasing number of owners and operators all point to this trend. Current activity levels suggest aviation billings will increase to \$25 billion, up from the \$22 billion delivered in 2007, with total business jet deliveries expected to exceed the 1,138 reported in 2007.

This activity has been fueled in part by a broad product line designed to provide owners with aircraft choices that are more efficient and better matched to their particular mission. Examples range from very light jets such as Eclipse and Cessna to ultra long-range models produced by OEMs including Gulfstream, Dassault, and Bombardier.

Increasing wealth, both in the U.S. and internationally, has also been a factor in making travel by private aircraft more available to a growing number of people. New aircraft deliveries are trending toward more balance between the U.S. and international markets. Historically, the U.S. has taken an average of more than 70 percent of new OEM deliveries. Today, however, international markets accept approximately 60 percent of new aircraft orders, largely through greater absorption of the OEMs' future capacity, with the U.S. taking similar numbers

of deliveries. Russia, China, the Middle East, India, and Brazil are leading the increase in international private aviation.

The pre-owned market continues to be very active as well, with the most obvious recent trend revolving around the stronger bias of buyers and lenders toward aircraft averaging less than 10 years old.

In addition to selecting the right aircraft, prospective owners need to consider:

- Average length of trip
- Typical number of passengers
- Average stops for each trip
- Airport types and flight services
- Intended annual hours of use
- Preference for pre-owned or new
- Special needs or configurations
- Flight department vs. management firm
- Chartering possibilities (under part 135)
- Entity used to own/operate the aircraft
- Appropriate financing structure
- Annual fixed and operating costs to be incurred

You can help your client find the right answers to these questions by assembling experienced professionals who will help you ensure that your client is well informed and represented. That team is traditionally comprised of the following:

Aviation Consultant: An aviation consultant will provide much of the up-front market intelligence with respect to matching the client's aviation needs to the appropriate aircraft type.



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Aircraft Broker: Working with the right aircraft broker, dealer, or OEM representative can help your client move from defining the type of aircraft to actually locating a particular aircraft to pursue.

Financial Institution: Selecting a financial institution with aviation experience early in the process will ensure you have the proper support with pre-positioned approvals, allowing your client to access funding more quickly.

Aviation Attorney: An aviation attorney with an extensive background in general aviation is a must. You never want to feel that your attorney is getting aviation practice “off the ground” at your expense.

Aviation Insurance: Selecting a firm with significant experience on the aviation front should save on both the initial cost of insurance and potentially much more in the event of a loss.

FBO/Aircraft Management Firm: Finally, where your client hangars, services, and operates the aircraft will largely be determined by the type of aircraft management firm, FBO, charter operator, or in-house flight department best suits his or her needs.

The next step to successfully navigating today's market is selecting the appropriate financing structure. This begins with determining whether ownership and the associated tax benefit of depreciation are to be retained by the buyer or traded to the lessor with the goal of reducing the structured payments on the aircraft.

Variations and even hybrid products are seen from time to time, but the two principal finance products most widely used are the Tax Lease (sometimes known as a True Lease or Operating Lease) and a Non-Tax product, generally structured as a secured loan, that could also be in the form of a finance lease or synthetic lease. The benefits of both products are outlined below.

Tax Lease Benefits

This is a form of leasing that can offer a number of benefits when structured properly and aligned with your tax strategies:

- **Trade-Off Benefit:** Tax benefit trade-off (depreciation) should provide below market rates.
- **Tax Savings:** When structured properly, lease payments can be deducted as a business expense assisting with Alternative Minimum Tax issues.
- **Favorable Accounting Treatment:** Certain lease structures can provide off-balance sheet accounting treatment.


- **Debt Covenant Compliance:** Leasing can assist in meeting balance sheet covenants.
- **100 Percent Funding:** Lease structure provides for 100 percent of the cost of the aircraft.
- **Aligns lease with Asset Life:** The lease term plus residual assumed are structured consistent with the useful life of the aircraft.
- **Flexibility:** The lease can be structured as either a fixed or floating rate obligation and can accommodate progress payments on the future delivery of the aircraft.

Non-Tax Product Benefits

This option enables the buyer to maintain ownership and available tax benefits, entering into a loan that is secured by the aircraft. Benefits include:

- **Tax Benefits:** Any tax benefits through ownership of the aircraft are for the client's benefit.
- **Flexibility:** Longer terms, 100 percent financing and funding of upgrades are examples of the flexibility provided.
- **Rate Options:** Fixed or floating rate structures are available using this structure.
- **Preserve Borrowing Capacity:** Opportunity to gain a new source of funding while preserving existing credit facilities.
- **Balloon Payments:** Ability to have a fixed, pre-determined balloon payment on the aircraft for the client, which also contributes to the longer amortization period.
- **Balance Sheet:** The obligation will be on balance sheet, simplifying the client's accounting treatment and providing control of asset at maturity.

Understanding these financing options, in addition to the state of the industry, is vital for anyone navigating today's market and considering private aircraft ownership. Even the best of markets are subject to corrections and adjustments with significant economic swings, and general aviation is certainly not immune to this. The key is to educate prospective buyers and offer them a solid, informed foundation on which to base their purchasing decision.

It is important to surround yourself with a knowledgeable team of advisors who know the business and can recognize opportunities and mitigate risks, ensuring a positive experience as you assist your clients with the private aviation market. 

Dan Tyburski is a managing director for Wachovia Bank's equipment finance division and manages its general aviation finance business.



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10 Charter Marketing Survival Solutions

By Michael J. Ryan

On August 10, *CharterX Industry Headline News* reported that, “For most on-demand air charter carriers...in North America, revenues are down nearly 25 percent over last year for the second quarter of 2008.” And *Business Jet Traveler* reported in its August/September 2008 issue that, “Charter volume is dropping significantly in some markets....” If this sounds like your charter business, then you should consider these ten charter marketing survival solutions.

“Marketing” includes all the activities you perform to get and keep customers. Within that broad umbrella, I include business development, advertising, sales skills, sales processes, sales management, direct mail, e-marketing, customer retention programs, referral programs, and public relations, to name just a few possible activities.

As we go through each of the suggestions, you’ll see many places where I ask for data. Except by random chance, I don’t expect any operator to have solid empirical data collected and readily available for everything suggested. In fact, Tenaglia’s Law of Missing Information likely will apply, “The data you need is not available and has never been collected.”

Fortunately, after more than 10 years consulting to businesses large and small, we have developed

a practical solution to the Law of Missing Information. All you need to do is go to the employee who does that activity and ask for their best estimate or gut feel. We’ve done this dozens of times when we needed data, and you know what we found? Plus or minus 10 percent, the people who do the actual work intuitively come up with the same answer as the collected data. The secret, though, is getting the “gut feel” from the person doing the work and not from the person supervising the work.

Some of the marketing survival solutions in this article are so simple, and practically free, that you’ll be kicking yourself because you aren’t already doing them. And I suspect there will be a few suggestions you won’t want to do. But if your revenue and profits are down, you owe it to yourself to consider all ten.

1. Start with a Sales and Marketing Activity List

This will take you about two hours, and you don’t need to write anyone a check. Get your team together and make a list of every single marketing activity you’re doing today. Watch out for all the ways you spend money and all the free stuff you do to find new customers, keep current ones, and invite inactive customers to start flying again. Be sure that your inventory lists every place your company’s name appears.

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2. Evaluate Effectiveness

An electronic spreadsheet or a large pad of paper will be useful here because you'll need several columns. In the first column, list each activity. Label the next column "Time" and next to each activity, enter the percentage of time your company spends on that activity. (Here's your first chance to apply my advice about the Law of Missing Information.) In the third column, enter the approximate amount of money (if any) you spent on that activity over the past twelve months.

In the fourth column enter the expected outcome from the activity. For example, if the activity was "enhanced listing in www.aircharterguide.com," the expected outcome would likely be something like "online quotes." And finally, in the fifth column, enter your best estimate of the results of the activity over the past twelve months.

Here's why you want to do this. For every ten clients we help with this exercise, eight of them are surprised to find that they're getting better results where they spend the least amount of time and money. So what does that tell them? For most

clients, it suggests reallocating resources to the marketing activities that produce the best results, dropping the things that obviously aren't working, and judiciously investing in the things in the middle to find the next winning activity.

3. Test Everything

The exercise in step two should let you categorize activities three ways: things to do more of, things to do better, and things to stop doing. This third solution is all about doing things better. The single most cost effective thing you can do to massively improve your marketing results is test what you're doing. And a good place to test is on those marketing activities you suspect you could be doing better.

Testing is essentially free because you're doing the activity anyway. The basic rules of testing are to establish a baseline (which you already did in step two), think about a slightly different way to do that activity, write down what's different, try it often enough to get meaningful results, and compare the results to the baseline.

Coming up next in solution number four, I'll give you a practical example of testing. But keep this in mind: About 25 percent of the time, the test results will be worse than the baseline. And half the time, the results will be about the same. But 25 percent of the time, you'll find something that works better than the baseline process. When that happens, you have a brand new baseline process.

4. Test Your Quote Response Process

A retail quote request represents a future customer or repeat business from a current or former customer. Quote requests are one of your most valuable assets, even though they don't appear on your balance sheet. That means you should be keeping accurate data for your retail quote conversion rates. A conversion rate is simply the percentage of quotes that turn into trips. So if you processed 100 retail quotes one month and 63 of them turned into trips, your conversion rate was 63 percent.

To increase your conversion rate, you need to test the process. Start by asking your charter coordinators to explain how they handle retail quotes today. Then think of one variation on that to test for a reasonable period of time to see if the conversion rate improves. And don't bet the hangar on the test. Apply the test to only every third or fourth quote. (Recall that I said that some of the time, the test will produce worse results.)

If the baseline process is to receive an email quote request, prepare the quote, and email it back

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to the customer within an hour, try testing one of these variations:

1. Call the customer after you send the quote to confirm it "came through OK" and to see if there are any questions or concerns,
2. Include photos of the aircraft and/or the pilots with the quote, or
3. Wait one day and then call the customer and ASK FOR THE SALE.

Here's a real life example of testing the quote response process. About six years ago, Mrs. Ryan and I were vacationing in Vermont. Her birthday coincided with the trip, and I wanted to surprise her with a day trip to Bar Harbor. I emailed three operators with different aircraft models in the area and asked for quotes. Two of the operators responded very professionally, but impersonally, within the hour by emailing me a nicely prepared quote form and a canned email response thanking me for the request. By the way, neither of them ever followed up.

But Adam Barbor at Trakair sent me an email reply before he sent the quote and asked if this was a business trip or maybe a special occasion. If so, he asked, was there anything extra we might like?

I wrote back and explained the reason for the trip and that I wanted to make it a surprise. Here's his email response, to which he attached the quote:

Imagine Mrs. Ryan walking out the door at the FBO and seeing her own plane, gleaming in the sun with a fresh coat of wax, as she walks down the red carpet to the cabin door, where her crew is waiting to welcome her on board. The champagne will be on ice for her to enjoy on your trip to Bar Harbor. A stretch limousine will be waiting on the ramp to whisk you to the restaurant where the owners will meet you at the door and escort you to a window table on the second floor so Mrs. Ryan can see the harbor while dining on fresh-caught lobster. After lunch, the limo will take you to the shore, staying as long as you like, before returning to the airport for the next stop in her birthday adventure.

Which operator did we choose? No question. By the way, of the three quotes, Trakair was the highest!

5. Improve Your Sales Skills

Like it or not, when revenues slow down, we need to get out of "order taker" mode and into "sales" mode. Go to all members of your team who ever have direct contact with prospective customers and teach them basic sales skills. How? Call the folks

at Nightingale Conant—(800) 323-5552—and order copies of Brian Tracy's *The Psychology of Selling*. It's on CD for \$89.95, and it's one of the best programs for teaching your team how to apply basic sales skills, overcome objections, and turn quote requests into customers. Then, twice a week, have a sales meeting where your team discusses a portion of the program and reports to you on what happened and what they learned when they applied it.

Will this process turn order takers into top sales people? Not likely. But will it bring nonexistent sales skills up to mediocre and bring mediocre up to average? You bet it will, if you follow the advice. And getting everyone who's involved in the sales process to improve their skills just one level will improve your conversion rates at very little cost and at virtually no risk.

6. Call Expired Quotes and Inactive Customers

One way to apply your new sales skills is to call your expired quotes. Someone in your organization should be monitoring the quotes that expire

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without a trip being booked. That employee should call every one of those expired quotes and find out why the prospect did not take the trip. Unless they were obviously unqualified, ask for their future business and get their permission to keep them on your e-marketing and/or direct mail list. And be sure to ask how they found out about you.

There is zero downside risk to calling inactive customers, and it's another great way to practice your sales skills. Ask these former customers what you did to lose their business and what you need to do to earn it back. What's the worst that can happen? They stop flying with you? They're already not flying with you!

The reasons you need to do this are:

1. A few will actually come back to you, and
2. They'll tell you what you need to know to stop other customers from leaving.

Many will tell you that your service was wonderful, you didn't do anything wrong, and then tell you the reason (which has nothing to do with you) that they aren't flying with you anymore. Before you hang up, thank them for their past business, assure them that they will always be welcome, and then ask for a referral. They will be very receptive.

7. Call on Prospects

When sales are down, you might be forced to go into town and ask for business. I'm sure many readers have some experience speaking to travel agents and corporate flight departments. But maybe it's time to go visit some of the companies in your market area.

On those sales calls, I would definitely downplay anything that sounds even a little bit like comfort, luxury, or perquisites and focus exclusively on tangible business benefits. Remember, people buy emotionally and then justify their purchase rationally.

When business is good, customers don't need a lot of rationalizing to justify the emotional decision. But when times are tough, it must be all rational justification. The emotional side of flying privately has to be kept in the closet, out of site. Everyone knows it's there; just don't open the door.

Making cold calls will not be a good use of your time. You'll want a person to meet with and an appointment. So combine your calling strategy with your referral strategy. When you are speaking with your expired quotes and inactive customers (as well as active customers), ask them if they could "pro-

vide an introduction to one of your business colleagues in town who might be interested in learning about a business tool to leverage their time, see more clients in the same day, close more sales at month-end, make more presentations on the same trip, and get key personnel quickly from site to site."

Two things will happen. First, you will get the referrals, and second, the person you are asking for the referral will begin to think about those benefits you just mentioned, which in turn may get you more business from them.

8. Find Out How You're Getting Found

Analyze all your new business over the past three months. That's recent enough to reflect the current economy, and going back too far might distort the analysis. Create a chart or table, by trips and by quotes, of specifically where the business came from. "Online quotes", for example, isn't detailed enough. Was it a quote request through your website or a request forwarded through CharterX or Air Charter Guide? If it came in by phone, where did the caller find your telephone number?

Suppose you haven't been collecting this information. In that case, the "gut feel" approach will work only if the charter coordinators have been asking the question but just not recording the answer. However, if they haven't even been asking, then immediately put a process in place and tabulate that information for the next 60 days. You don't need to do any computer programming, although some of your quoting software makes it very easy to record the source. An old-fashioned tick sheet with boxes or sections for the most likely answers will do the trick.

For your wholesale business, tabulate by name of broker and by operator. Create this data for both number (trips and quotes) and by revenue (for actual trips flown). Rank the results from most profitable to least profitable source. Then, call up your brokers and operators and ask them how they found you. The idea is to find out which of the many web portals (e.g., Charter Hub, Xquote, RSV-Pair, and Avinode, to name a few) you subscribe to is working the best. You'll want to continue your subscription there and maybe increase your investment and cover that by dropping the services that don't seem to be getting you as much business. But always make these decisions based on facts.

Let me offer a word of caution about those por-

tals. Some of them are purely for wholesale exposure, a few are primarily for retail charter buyers to find you, and at least one has both retail and wholesale sides. Be sure you check your results on both sides before making any decisions about increasing or decreasing your presence.

9. Educate Your Current Customers

The conventional wisdom is that charter revenues drop when the overall economy drops, and that's because charter customers cut back on travel or switch to more airline and less charter travel. Assuming that's correct (and I'm not convinced it is), here's what you need to do about it. Stay in touch with your customers on a monthly basis, and give them practical ideas for how charter can be an effective business tool for them.

Your clients who cut back on charter may be doing so because they associate charter with one use or purpose, and they just don't need that as much right now. So your job is to educate them about the dozens of effective ways charter can and should be used to generate more business, service their existing clients, get sales teams to trade shows, etc.

How do you get the information to your customers? The least expensive way is email (or e-marketing). U.S. mail works well, but costs you the stationery, postage, and the time to stuff the envelopes.

Many operators send invoices or receipts to their customers after each trip. If those are going out in the mail, use that customer contact (and postage) as a marketing opportunity. Include the kind of information mentioned above. Another idea is to watch for articles in blogs, websites, or print media, and order reprints. Stuff those in the envelope with the invoice or receipt.

I can already hear the objections. The customers don't get the paperwork. It goes to the accounting department. That might be where it's addressed, but if you put a buck slip on the article with a note from you to the customer by name, there's a very good chance that someone in accounting will route the enclosure to the customer through the interoffice mail. In any case, it cost you almost nothing to try, and there's no downside risk.

10. Ask the Owners for a Marketing Budget

I know I might be on thin ice, but I'm going out on it anyway. And I know this doesn't apply to all owners and every operator. But I trust it applies to enough of you that it's worth suggesting.

If your revenues are down, so is the charter revenue the owners were counting on receiving. Some owners may be willing to work with you on a marketing budget. Naturally, they'll want it used to generate trips and revenue for their plane and not the rest of your fleet. But there are plenty of ways you can do that, including enhanced listings on various portals just for that aircraft. We aren't talking about big bucks. Even \$250 a month per aircraft can be used effectively in conjunction with the nine points listed above.

Marketing includes all the activities you perform, and all the other activities you could perform, to get and keep customers. Apply these charter marketing survival solutions to claim your share of the airspace.

Michael Ryan is the president of AirPSG, LLC, which provides air charter operators with hands-free, marketing survival solutions. AirPSG helps 135 operators grow their retail charter business and claim their share of the airspace. He can be contacted at mike.ryan@airpsg.com.

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John Lotz Gives Monterey Bay Aviation an Affluent Personal Focus

By Paul Seidenman and David J. Spanovich

California's Monterey Peninsula often evokes images of PGA tournaments at the world famous Pebble Beach golf course, seaside vacations at posh resorts, or shopping at the upscale galleries and boutiques of nearby Carmel. Yet anyone who visits Monterey Bay Aviation at the Monterey Peninsula Airport is not likely to see a ramp crowded with high-end corporate jets. "That's because we have targeted a different market niche," said John Lotz, the full-service FBO's president, CEO, and majority shareholder. "Our customer base is the affluent personal user (APU), who is a successful professional who flies his or her own aircraft for recreation or a business purpose."

In that regard, Lotz said this market differs significantly from the corporate jet sector. "That market is typically served by jet centers that offer just one product—Jet A," he said. "Their customers are really the pilots because they are the ones who select the FBO, while the boss just tells them where to fly. On arrival, the boss gets into his limo and disappears."

A Passion for Aviation

Lotz, who describes himself as "a man with a passion for aviation," is a retired Air Force Brigadier General and a well-known Monterey Bay area entrepreneur. He also serves as NATA's treasurer and a board member. He began flying more than 46 years ago and holds a CFII rating, as well as single-engine, multi-engine, and commercial fixed wing and helicopter ratings. Currently, he has more than 1,100 hours of instructor time, out of a total

of 3,000-plus hours. That time includes 900 hours in the single-engine Beechcraft Bonanza and 200 hours in the twin-engine Beechcraft Baron. In fact, he counts himself among the cadre of eight flight instructors on the company's 20-person staff.

"My interest in the FBO business goes back to the 1960s, when I directed flight operations for DEC Aviation, a successful FBO at Madison, Wisc., Truax Field. After that, I went on to Harvard to pursue an MBA, which I completed in 1971."

Lotz's MBA thesis was an analysis of the FBO industry as it existed at the time. He drew two conclusions from his research: "First of all, FBO's were badly managed, and second, it was a fragmented industry."

At the time Lotz was working on his thesis, the "classic FBO did everything under one roof" and was truly full service, he said. But since then, things have changed.

"Full service used to mean fuel, tie-down, hangar storage, maintenance, charter, instruction, rental, and anything else the FBO owner could cobble together to increase revenue. But as more corporate jets went into service, more FBOs tended to under serve and turn away from the APU, or owner-flown single- and twin-piston market. What I saw was an opportunity to serve the APU market exclusively and to offer that market a focused variety of services," he said.

Lotz saw the chance to do that in July 2001, when he began to acquire the assets of Monarch Aviation, a multi-service FBO catering to the piston aircraft operator at Monterey Peninsula Airport. Those assets were folded into a new company, Monterey

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Monterey Bay Aviation

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Bay Aviation.

"Monarch had fueling, maintenance, and flight training," he said. "We initially acquired the flight school portion in July of 2001, and by November of 2007 we completed the acquisition when we took over their maintenance operation. The following January, we consolidated all of the functions into a single complex on the northwest side of the airport."

Among the first steps taken was a complete overhaul of Monarch Aviation's flight school. The first thing Lotz did was replace the aging Pipers and Cessnas with brand new equipment. Today, the fleet, which is available for both pilot training and



rental, includes a 2006 Cessna 172S, a 2008 Cessna 172SP equipped with a Garmin G1000 glass cockpit, and a 2005 Citabria Adventurer. That aircraft, which is VFR only, is used for stall and spin recovery, emergency maneuvers, aerobatic training, and enhancement of stick and rudder skills.

Under current planning, the Cessna 172S, will be phased out this year and replaced by a new, similar model with the Garmin G1000 flight deck, Lotz said. The plan also calls for the addition of a Cirrus aircraft, most likely the SR22, which has an Avidyne Integra digital cockpit.

Supplementing the fleet of new aircraft is a single-engine 1977 Piper Arrow III, equipped with retractable landing gear and used for the school's commercial license course. "We bought the Piper three years ago because the commercial course, un-

der FAA rules, requires time in a 'complex' aircraft like the Arrow," he said. "This rule is archaic, but we had no other choice since the industry is not producing this kind of airplane anymore at a price that makes sense for a low utilization aircraft."

The flight school, which operates under FAR Part 61, provides students with a modern classroom wired to accommodate two Class IV advanced aviation training devices (AATD), built by Precision Flight Control. One is instrumented with the Garmin G1000, and the other an Avidyne Integra system. Both incorporate X-Plane simulation software.

Private pilot students usually spend 12-15 hours in the AATDs, even though only 2.5 hours of simulator time is creditable toward the private license. However, up to 20 hours of simulator time can be credited toward the instrument rating, Lotz noted.

Lotz also said that Monterey Bay Aviation became an official Cessna Pilot Center using the OEM's well-regarded computer-based instruction. Under the program, the average number of hours required for a student to get the private license is 56, compared with an average of 80.1 hours for all flight schools. The minimum number of hours required is 35 for a Part 141 and 40 for a Part 61 school, Lotz explained.

"The simulators allow us to pack a lot more training into the same time," he said. "The goal here is to lower the actual number of hours to get a rating—which for the private license is almost always more than the minimum number of hours—and to produce a more experienced and safer pilot. For the private license, our goal is to achieve that in 37.5 hours in the airplane and approximately 12.5 hours of simulator time."

Monterey Bay Aviation offers instruction from the private license through commercial, instrument, certified flight instructor, and certified flight instructor-instrument ratings, as well as recurrent training. Lotz pointed out that despite the current state of the economy and the fact that the company's instructor fees were raised about 35 percent and aircraft rental by 50 percent, pilot training at his school is at its highest to date and bucking the trends of falling enrollment elsewhere.

To explain this, he credited the company's use of integrated simulators and computer-based training. "This is not commonly done in the market we serve, outside of colleges and universities that have aviation degree programs," he said. "We serve a market that can afford to spend the money for quality training, and we know what they are willing

to pay. We have also hired very experienced flight instructors with backgrounds in military, commercial, and corporate flying."

Along with training, Monterey Bay Aviation hosts its famous Red's Mornings on the last Saturday of each month. Open to any pilot at no charge, Red's Mornings are seminars focusing mainly on flight safety issues, but at times including discussions of aviation history, romance, and humor. "Red's" refers to the donut supplier at the meetings. Another business includes sightseeing flights along the scenic Monterey Bay and Big Sur coastlines and the Salinas Valley.

Expanding Maintenance Services

The company has also further expanded its aircraft maintenance services, focusing exclusively on piston aircraft. Washing, waxing, interior cleaning, and other detailing work are offered to jet operators, on request and if staff is available. "We will also provide overflow parking for jets and turboprops during special events that draw a lot of corporate traffic," Lotz explained. "Some minor line work is also provided to the few airlines serving the airport, mainly oxygen and nitrogen system servicing."

Monterey Bay Aviation employs two A&P mechanics, and two other employees, a mechanic's helper and a line man, are slated to receive their A&P licenses this year. The company services most piston aircraft airframes and engines, up to but not including overhaul, and specializes in Cessna, Cirrus, Mooney, and Columbia (which was acquired by Cessna in 2007) aircraft. "We are, in fact, an authorized service center for Cirrus and Mooney and are in the process of being appointed a service center for Cessna," Lotz said.

In addition, the company is applying for an FAR Part 145 repair station certificate, which Lotz hopes to receive by year-end 2008. "Part 145 authorization would allow us to work for those corporate aviation operators who will only deal with a 145 repair station, as well as those airlines

that insist on the certificate," he said.

Monterey Bay Aviation has 10,000 square feet of space in its main FBO building devoted to offices, flight training classrooms, a reception area, and pilot lounge. All maintenance is carried out in an adjacent 8,000-square-foot hangar, which can also accommodate 8 to 10 piston tenant aircraft, depending on size and mix. But Lotz reported that plans are underway to construct an additional 8,000- to 10,000-square-foot hangar that will provide space for maintenance, aircraft storage, and offices. The expansion plan also calls for seven single-aircraft, box-type hangars.

"We are now going through the permitting process with the Monterey Peninsula Airport District for the expansion," he said. "Once that is done, we will be able to announce a completion date."

Monterey Bay Aviation's plans also include efforts to diversify its customer base. Lotz said that about 70 percent of his customers now base their aircraft at his company, with transient traffic accounting for the remainder of the business. "Our market

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Monterey Bay Aviation

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is regional in nature, and we are trying to draw a greater share of the transient traffic from this area," he said.

He hopes this will increase fuel sales, which are solely confined to 100LL avgas sold under the Chevron/Texaco brand. Monterey Bay Aviation purchases the fuel from a consortium at the airport and dispenses from one 750-gallon-capacity tanker truck. While the company pumps an average of 60,000 gallons annually, the combined impact of the weakened economy, severe winter storms, and the many visibility-restricting wildfires throughout California this summer have reduced flying over the past year. This has decreased fuel sales by 10 percent between January and July, compared to the first seven months of 2007.

Keeping the VLJ Owner in Mind

While Monterey Bay Aviation has built its business serving the needs of the owner-flown piston aircraft operator, Lotz is well aware of the possible impact of the very light jet (VLJ) on that market segment and plans to follow it into VLJs.

"We do see the potential for some of our APU customers to consider upgrading to VLJs, even though we believe that the jury is still out, given the problems that have developed at some of the manufacturers," he said. "But if there is a case for us to serve VLJs, we would start by adding an aircraft management and dispatch service, along with some level of maintenance support and transitional and proficiency flight training."

Lotz said he has no plans to pump Jet A for VLJs. "There's a very limited market for jet fuel at this airport, and there are already two providers doing that here. We are, however, in discussions with FBO operators at other airports to develop a high-quality regional fueling and support network with the VLJ

owner in mind." That network could take the form of partnerships or acquisitions, he said.

Additional expansion plans are on the drawing board, Lotz said, including the possible addition of a dealership that would focus on some type of specialty aircraft as well as aircraft brokerage catering specifically to the APU market. An onsite shop selling high-quality aviation giftware is also in the plan.

Lotz stressed that any benefits that could be realized from his long-term planning could ultimately be impacted by the number of general aviation pilots, both active and in the training pipeline. "As the number of general aviation pilots has shrunk, we, as an industry, have to ask ourselves, how big an army of pilots can we be? In 1980, the number of active pilots in the U.S. peaked at about 850,000. The most recent statistics I've seen put that at about 600,000."

Lotz noted that prior to 1980, pilot growth was fueled by the military, an expanding airline industry, and a government policy that promoted aviation. "The aircraft OEMs also promoted general aviation by encouraging people to learn to fly and own an airplane," he said. "But all of this changed in recent years. The military has slowed down as a source of pilots, airline industry growth has lessened, and because of (product liability) issues, the OEMs stopped producing piston aircraft for a period of about 10 years."

And while some believe that the new sports pilot license category could turn the tide of declining flight school enrollment, Lotz isn't so sure. "The numbers indicate that fewer than 2,000 sports licenses have been issued in the last three years, and, in my opinion, that is not very successful."

Lotz said that he and the NATA Flight Training Committee would like to learn, through market research, what the potential market is for flight training and promote it to a specifically identified target group.

"I would like to look at the number of flight training service providers and the number of potential candidates for flight training," he said. "We know that this is not a mass market, but I don't think that anybody in the industry today really knows what the extent of the market really is."

Along with this, Lotz said that the student drop-out rate in flight instruction is approximately 50 percent. "Everyone has an opinion, but I do not believe that we really know why people drop out, especially at such a high rate. That's something that any market research needs to look at."



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Safety Watch

Continued from page 15

caution to charter operators: The fact that you have included your SMS program in your operations manual does not constitute FAA acceptance of your SMS.

Both NATA and the Air Charter Safety Foundation (ACSF) are actively participating in an SMS working group, composed of charter operators, airlines, repair station companies, and FAA representatives. The group's purpose is to advance the voluntary implementation of SMS by providing feedback and lessons learned from companies already implementing SMS. This effort will hopefully result in a more practical regulation

and implementation process.

Tools are available right now to help you implement SMS in your organization. NATA Safety 1st has a structured program to assist in the development of an SMS, which includes a guidance manual, hands-on workshops, and monthly webcasts. ACSF offers the AVSiS safety event reporting and management software program and the newly developed ACSF Operator Standard and Audit Program that will help ensure your SMS conforms to FAA standards.

For further information on these programs, go to www.natasafety1st.org or www.acsf.aero.



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PAC Contributions Make a Difference in Washington

Being politically active in Washington, D.C., can be a challenge for many aviation businesses. You own or operate full-time businesses, and your time is limited. However, when an important issue arises that requires legislative action, many of you find the time to become politically active because you have a cause. Whether in Washington or in your hometown, you need to reach out.

On May 7, NATA held its annual Day on the Hill event where 80 association members met with members of the U.S. House of Representatives and the U.S. Senate and their staffs to discuss important issues facing the industry, particularly final passage of FAA reauthorization. These face-to-face meetings are an important educational exercise to ensure that we reach as many elected officials as possible to make our position known on important issues facing our industry.

Election Day is fast approaching, and we will not only elect a new President, but all seats in the House and a third of the seats in

the Senate are being contested. Voter turnout, as we have seen from the caucuses and primaries already held, is at record highs. With so much at stake politically for our country and our industry, we must do what we can to ensure that our nation's policymakers support the general aviation industry. One way NATA does this is by establishing a political action committee, or PAC.

A PAC is, as the name indicates, a political committee organized to elect candidates running for government office that support issues important to that political committee. Trade associations, corporations, unions, and other entities organize PACs as a way to generate funds from their members or employees, enabling them to contribute to these candidates' campaigns. NATA's PAC, known as NATAPAC, was established to contribute to candidates who support the general aviation industry and the issues it faces.

PACs are not without controversy. Some believe PACs corrupt politicians by bringing outside money into the political arena to buy favors from politicians. Regardless

of one's opinion about PACs, the fact is that they are actively used by a number of different lobbying entities in Washington. A PAC is a valuable tool to help ensure that supportive politicians remain in office. Contributing to a PAC is just one tool to use to make a difference with policymakers. There are a number of other ways, including writing to your lawmakers on issues important to you. When Congress is not in session, your Representative and Senators are usually at home visiting with constituents. This is a great time to schedule an appointment at their offices or invite them to your operation for a tour and a discussion of issues.

If you have not contributed to NATAPAC and would like to or if you would like to make an additional contribution, please visit www.nata.aero/natapac.

Important note: Federal law requires all PAC donations to be personal contributions only. Company/corporate contributions are prohibited. Do not use company or corporate checks to make donations. PAC donations are not tax deductible.


NATA's Safety 1st Honors Certified Supervisors

NATA members asked for more in-depth line service training, and NATA responded by expanding its seminar offerings to include several Advanced Line Service Supervisor Training (ALSST) seminars over the past two years. The ALSST is primarily intended for those who attended the popular Line Service Supervisor Training (LSST) and are looking for advanced training. This seminar takes many of the topics from the LSST, such as fuel filtration and quality assurance, and builds on them. It also introduces new topics such as fuel system management, managing your manager, dealing with difficult employees, and coaching leadership.

Following are the people and companies that attended both the ALSST and the LSST. In recognition of both the individual and company commitment to safety and training, NATA honors the NATA Certified Supervisors from its 2007 and 2008 ALSST seminars.

Clayton Coffey, Allied Aviation
 Michael Carey, Atlantic Aviation
 John Perez, Atlantic Aviation
 Bill Moran, Avitat Boca Raton
 Billy Odierno, Avitat Boca Raton
 Tony Plucinski, Castle Aviation
 Tommy Martin, Columbia Air Services
 James Nall, Columbia Air Services
 Travis Bryan, Craig Air Center, Inc.
 Daniel Domek, Cutter Aviation
 Geoff Gilson, Denver Air Center
 Ronald Richardson, Eagle Aviation
 David Parker, Executive Air LLC
 Delbert Nunnenkamp, Global Aviation
 Rocky Hughes, H & H Avionics, Inc.
 Bruce Koslan, Hawker Beechcraft
 Lee Olson, Helicopter Adventures
 John St. Germain, Jackson Hole Aviation
 Matthew Reider, JetDirect
 Marcus Harrington, Jetscape Aviation
 Adalberto Mainardi, Jetscape Services
 Jason Hansen, KCAC
 Evan Carroll, Landmark Aviation
 Marques Rivers, Martha's Vineyard Airport
 Rene Medina, McCreery Aviation Co
 Alfred Johnson, Million Air
 Kina Rapoza, Million Air

Harvey Tucker, Million Air
 John Harrison, Million Air
 Al Arroyo, Million Air
 Bill Elder, Miracle Strip Aviation
 Don Garrod, Montgomery Aviation
 Richard Vinet, Pfizer
 Gerald Donovan, PrivateSky Aviation
 Herb McDonald, Quail Air Center
 Dan Shisler, Ronson Aviation
 David Ricci, Ronson Aviation
 Kenny Ahlbaum, Scottsdale Air Center
 Mariah Schultz, Scottsdale Air Center
 Rox Begay, SevenBar Aviation
 Chris Black, Sheltair Aviation
 Joe Rosello, Sheltair Aviation
 Sheldon Steede, Sovereign Flight Support
 Larry Blanchet, Stevens Aviation
 Kenneth Flowers, TAC Air
 Eric Clark, Tac Air - Chattanooga
 Raymond Maxted, Tac Air - Texarkana
 Dennis Fria, TAC Air Centennial
 Greg Campbell, Tampa Int. Jet Center
 Erik Balcome, Taughannock Aviation
 Jim Allen, Texas A&M University
 James Littlepage, Texas Jet
 Kevin Richardson, UPS

NATA congratulates all participating companies for investing in their line service personnel. NATA's Safety 1st will provide additional educational opportunities in 2009 to help keep members' line service current and competitive. 

Safety 1st News continued on page 46

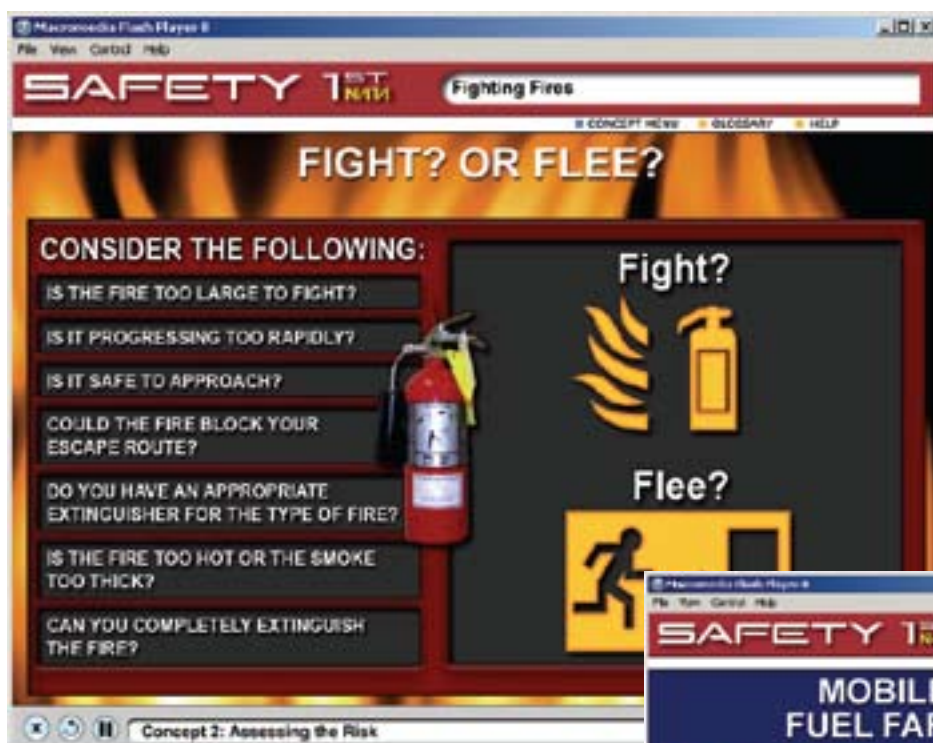
PLST Online Awarded FAA Approval for Fire Safety Training

The Federal Aviation Administration's (FAA) Airport Safety and Operations Division, AAS-300, reviewed the Professional Line Service Training (PLST Online) Fire Safety module and praised NATA's Safety 1st program for the innovative, first-of-its-kind online fire training. FAA approved NATA's fire safety training for 14 CFR Part 139 Section 321 in Cert Alert No. 08-04 on June 6.

modules from the PLST program specifically developed for in-depth line training. PLST Online, the first-ever web-based line service training, has been available since mid-April with more than 600 students actively training for certification. Safety 1st revolutionized professional line service training with its expanded, modernized, and updated online version. PLST Online is the best way to train and recurrently train the men and women out on the tarmac who marshal, fuel, and manage the aircraft, crew, and passengers that are the lifeblood of any FBO.

PLST Online provides engaging training anytime, anywhere and ensures consistent training in minimal time. Student progress is automatically tracked, and reports are always available for training and standardization audits.

Make sure your line remains up-to-date with FAA approved fire safety training by visiting www.nata.aero/plst.



NATA's PLST Online Fire Safety module covers all aspects of fire safety training for line service personnel, including fire safety principles, how to recognize different fires and extinguishing agents, how to fight fires, and how to minimize fire risks on the ramp. NATA's fire training includes interactive training, frequent pop quizzes, practical/hands-on training tasks, and exam questions randomly selected from a large bank of questions, making every exam unique.

The Fire Safety module is one of eight



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