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Coing Green With GSE Comovich

Mr. Insurance

Managing Big Fuel Costs with a Little Homework

Member Profile: The First Family of ORL

By David W. Almy There are plenty of Mom and Pop FBOs in the U.S., but few like this particular Mom and Pop. Bob and Kim Showalter operate one of the best in the business, and as with most good things, their success at Orlando Executive did not happen overnight. 43

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PRESIDENT'S MESSAGE

Service Isn't an Option Anymore

fter 30 years of flying across America and visiting almost a thousand FBOs, I can offer only one indisputable fact about the state of customer service in our industry: it is very, very variable. I've waited 20 minutes at big, fancy airports just for someone to acknowledge my presence, and I've landed at tiny grass strips where they treated me like a king—and vice versa. Everyone who flies has learned that in terms of service, all airports are unique and no two FBOs are alike, even if they share the same name.

Over the years, these variations have been grimly accepted as fact by many of our customers. After all, the economic realities, volumes, and margins that FBO owners deal with vary so much from one location to another that it is simply not practical to expect uniform levels of customer service. At least, such is the conventional wisdom.

I submit, however, that private and business aviation is in the midst of a dramatic redefinition of who and what we are—and that our customers will no longer accept such uncertainty in the one area of performance that defines and differentiates our brand of air transportation in the 21st century: service. No matter what or where our business may be, our biggest local market is now part of a rapidly growing national market that brings high net worth individuals to our doorstep with expectations of better and more consistent service than ever before.

Furthermore, I offer a rather radical corollary to my "service is essential" thesis that might appear counterintuitive at first glance: NATA members, besides wanting to improve their own standard of service, should also want to help improve service levels everywhere at FBOs across the country, because only then will the total market reach full potential and foster the national activity that improves everyone's bottom line.

In essence, it seems to me that raising the average service levels in our industry is the best way to increase sales and profits across the board. Higher service standards will attract new customers and, more importantly, ensure that those thousands of new entrants expected into private aviation in the years ahead won't have a bad experience somewhere and go back to the airlines or the highways.

That's why it's a good time for NATA's leaders to explore, understand, and promote to our members the service expectations of our most important customers and help every member company meet these new standards, no matter where they might be. One place to start is with what I call the seven signs of superior service.

1. Service before they even arrive. Does the customer know that you stand for quality? Has he read about you, received a brochure, seen an ad, heard from a friend,



or somehow learned that your company's service level is exceptional? Before you walk into Nordstrom, the Ritz-Carlton, or even Starbucks, you've been pre-sold that service will be top notch. Similarly, your business should set the stage for high service expectations.

- 2. Ground-side arrivals should see signs of service early and often. Nothing is truer than "first impressions are the most important." Do you have good, clear signage progressively showing the way to your facility, not just an old rusty signpost with an arrow and some confusing terminology? Driving up, does it look first class? Is it clear where to go, where to park, and how to proceed? Don't make your customer feel like he's arrived on the wrong side of the airport!
- **3.** Your front door gives your customer his first taste of who you really are—use it to make a statement about your service. Have a sign there that welcomes him to the wonderful world of private aviation. This is where you start making a personal connection with your customer, helping him realize that this is truly the finest form of transportation in the world—and it starts here!
- **4.** All your people are walking, talking, breathing signs of your commitment to service—teach them the fundamentals from the first day and remind them that improving service is the job that never ends. Do they know when a customer walks in the door? Do they know how customers expect them to look, act, and respond to questions? Can they professionally focus on the customer?

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President's Message

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- 5. When customers arrive at your service desk, it's time for your business to light up like a Broadway marquee. Let your customer service reps (CSRs) dazzle them with smiles, support, speed, and solutions. Are they trained to answer any and all questions? Do they connect warmly and personally with each customer? Do they have the authority to solve problems on the spot? Low-wattage bulbs shouldn't go here—hire the best you can get.
- 6. Air-side service separates the best from the alsorans. Good service here anticipates the needs of crew and customer. "How can I be of service?" may sound old-fashioned, but your clients love to hear those six magic words. Unaccompanied clients on the ramp are a lost service opportunity. Whether its help with baggage, fueling, marshalling, boarding, supplies, or just being ready to hold open a door, service on the tarmac is our job #1.
- **7.** After the customer has come and gone, there is still time for one last sign of superior service. Before they left, did you get their email address? If

so, send a thank you, ask for a service appraisal, say thank you again, and then remind them to check in before their next trip. Be sure to build your customer service database with the names of crew, passengers, family members, dispatchers, and executive assistants, all of whom may promote another visit.

Of course, there's a lot more to service than just appearances and signs that you care about your customers. After all, they'll start looking for somewhere else to go if you don't have up-to-date facilities, professional operating procedures, a Safety 1st training program, sound financing, prudent insurance coverage, modern equipment, experienced management, and quality products. But the FBO business isn't about planes or terminals or tugs or tarmacs. It's about serving customers who want the best of everything—but most of all, they want the very best service.

The more of us who learn to do this well, the more customers we will find, filling the skies with planes and people that need the products—and services—we sell.

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FAA Reauthorization: It's Not All About User Fees

e have once again reached that time in Washington, D.C., where aviation—outside of security—becomes a big buzzword around the Capitol because of the pending FAA reauthorization bill that Congress will take up this year. The legislation under consideration this year is even more important than in previous FAA reauthorization debates as the mechanism with which the FAA funds programs is also under consideration—hence the volume of coverage in the aviation press about user fees and who is paying their "fair share" and who is not.

But make no mistake about it folks, while it is critical how FAA programs are funded, the same is true for other programs that will be considered by congressional leaders during this year's FAA reauthorization debate. So, let's review some of the issues NATA will address in this year's FAA reauthorization battle.

1. Changes in the collection of aviation fuel taxes

Yes, we are still trying to ease the burden placed on the FBO and airports community by the fuel fraud provision contained within the highway reauthorization bill two years ago. This effort should be unnecessary because the highway bill should focus only on surface transportation, but that is not the reality.

Many FBOs and general aviation airports have already figured out the new registration and filing process and are receiving refunds on a regular basis; however, there are still literally thousands of FBOs and airports that are not. And that is a cause for concern for two reasons. It indicates that the administrative burden is simply too much for a small business to bear. Also, because the administrative process is so onerous, many are simply passing the tax increase on to the customer, avoiding the ultimate registered vendor process and, thereby, keeping tax revenue that really belongs to the aviation trust fund in the highway trust fund. Certainly no one in the GA community is at fault for this resultit was abundantly clear that when this provision made it into the highway bill this could take place.

Two solutions come to mind. We push to rescind the provision contained within the highway bill during this year's FAA reauthorization process. Or, to recognize the hundreds of FBOs and airports that are managing the process and are doing their part, we push to have the refund process moved up a level so that the fuel suppliers provide a simple form to the FBO/airport who then sells the fuel to the aircraft operator and



certifies that the jet A the facility sells is used only in aircraft and for no other mode of transportation. This could ease the concern of some that fraud is running rampant within our industry. There are other means of resolving this continuing dilemma that I will not discuss here, but needless to say, NATA will do its very best to ensure that the burden on our industry caused by this provision is eased somehow, someway.

2. Protection of aviation businesses from the slow creep of airports interested in providing aviation services

This is certainly a dicey issue in many respects, but NATA firmly believes that association action is necessary to protect its members that are private entities providing ground-handling services. It is important to note that we in no way want to prohibit airport management, which is essentially the sole service provider at an airport and has always been, from providing these services. However, at airports where there are other viable service providers, an equal playing field must exist.

A movement has gained momentum over the last couple of years where airports enter into the ground-handling business due to lost airline activity and the need to increase revenue. Aviation businesses at the airport are among the airport's first targets in the search for this increased revenue stream. While it is certainly in the airport sponsor's right to venture into the business of providing aero-

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Inside Washington

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nautical services (even though the ability for airports to do so continues to be closely monitored by federal officials at DOT and the FAA as evidenced by the FAA's recent issuing of Advisory Circular 150/5190-6, *Exclusive Rights At Federally-Obligated Airports*), a level playing field is a must, including the use of a "request for proposal" so all interested entities wishing to provide ground-handling services at an airport have a fair chance to do so. In addition, airports that have access to local, state, and in some cases federal subsidies should not be allowed to take this funding and use it to their advantage to secure ground-handling contracts with the airlines under "exclusive rights" pretenses. The process must be fair and open to all!

3. Promoting aviation

While this may seem an obvious mission for the FAA to conduct, it is not something that the agency does. In 1996, Congress stripped the FAA of its responsibility to promote aviation due to fears that the agency had become "too cozy" with the aviation industry following the tragic ValuJet accident. Since that time, the U.S. has truly lost its footing in the world as other countries actively promote their aviation services and products. Safety is always priority number one. But promoting the U.S. air transportation system and all that it has to offer is a must and something that should be reinstated in the FAA's mission.

4. Part 135 study

Here we are in 2007, and THE FAA STILL DOES NOT HAVE CREDIBLE DATA ON THE SIZE AND SCOPE OF THE AIR CHARTER INDUSTRY!!! Ridiculous, yes—but it is a reality that needs to be addressed and soon. In 2000, NATA and now-Senator John Thune (R-S.Dak.) worked to include language in the AIR-21 FAA reauthorization bill that required the agency to conduct a study of the Part 135 industry. Under political pressure, the FAA finally



wrapped up the study and presented it to Congress late in 2004. Of course, the data was already out of date at that point, but it was the very first study completed by the feds on the charter industry. Key analytical tools (hours flown, annual revenue, fleet composition, etc.) are necessary to ensure proper FAA funding and staffing for charter initiatives and accurate accident statistics from the NTSB and to ensure correct economic analysis in rulemaking.

It's time that the FAA conducts this study on a regular basis, not once in a blue moon, especially with an industry that continues to grow exponentially!

5. Security

While the association certainly does not actively plan to ask Capitol Hill for unnecessary new security burdens, it will defend this community against the nonsense that regularly appears from those who know nothing about general aviation. The screening of all passengers, for example, is one notion recently mentioned at a hearing on the Hill that makes absolutely no sense. The solution? Identify the threat and then visit the community that is affected so that clear, practical solutions may be considered to address the problem. Throwing a lot of federal cash for X-ray machines at America's general aviation airports is simply not a logical or realistic way to address security.

6. User fees

While last on my list, this issue is certainly going to be one of the, if not the, biggest topics of discussion during the FAA reauthorization process. The long and short of this issue is that general aviation operators DO, in fact, pay their fair share and always have. A stable funding stream has always been in place for our community through taxes collected on the sale of jet A and avgas. Because of the direct payment and transfer of these fuel taxes to the federal government, a sticky bureaucratic process that could involve lots of paperwork is avoided. Let's keep it that way. As the old saying goes, "If it ain't broke, don't fix it."

So, that is my view from 30,000 feet on what lies ahead on FAA reauthorization. I have not touched on many topics that I am sure will be addressed during this debate, so please do not let me give you the impression that the foregoing is the set agenda. However, the points raised above are all on our radar as critical to our members. And more important is that when your association, NATA, asks you to take pen to paper to weigh in with your congressional representatives on the various issues in the FAA reauthorization bill, you do so!



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By Russ Lawton

hat do Swiss cheese and safety have in common? Quite a lot it turns out. Research shows that, without proper defenses in place, your company could have "holes" that allow accidents and other unwanted events to occur.

The "Swiss cheese" model of how unwanted or unplanned events can occur was developed by Dr. James Reason, who is world renowned for his work in looking at how conditions in individual organizations contribute to accidents.

Within every organization, there are layers: the decisionmakers or top management, line management who implement top management's strategies, and the front-line staff or line activities. All three layers exist in the organizational culture, which can be healthy, unhealthy, or somewhere in between.

In an ideal world, each layer in an organization works together to protect the system when a hazard or potential hazard arises. Unfortunately, the real world seldom functions in this manner. Holes in the defensive layers occur, and when these holes align, the organization can suffer a loss. (See illustration below.)

Reason describes two types of conditions in an organization that contribute to loss: active failures and latent failures. Active failures are unsafe acts committed by people who are in direct contact with the system and consist of slips, lapses, mistakes, procedural violations, etc. Whereas, latent failures are pre-existing conditions that can lie dormant in the system for many years before they combine with active failures to create an accident opportunity.

Latent conditions are resident in the system and arise from decisions made by designers, builders, procedure writers, top management, etc. These pre-existing conditions include pressure, understaffing, inadequate equipment, fatigue, inexperience, etc.

Think of active failures as mosquitoes that can be swatted oneby-one but never go away altogether. Whereas, latent conditions can be thought of as the swamp that must be drained to prevent the mosquitoes from returning.

An organization can respond to an incident or accident in either of two ways. The first is to blame the individual or individuals directly involved and go no further in the ensuing investigation (swat the mosquitoes). This is also known as the "person approach," where you need look no further for the cause once the unsafe acts are identified.

The second response is a proactive approach and results when the organization is introspective and determines whether any pre-existing or latent conditions (the swamp) could have caused the incident. The good

news: Latent conditions can be identified and remedied before an adverse event occurs (drain the swamp). This can be accomplished with a top-down hazard identification and risk analysis plan within the company. Everyone at every level needs to be involved in this activity, which typically takes several months of dedicated effort to complete.

Once the initial effort is complete, an action plan for making the necessary changes to manage risk within the organization should be developed and monitored. The plan should be reviewed periodically and whenever change occurs within the company. It's an ongoing process that results in proactive risk management. And this is what good safety management is all about. If nothing else, implementing a continuous hazard identification and risk management plan will allow you to move on to a different brand of cheese.



James Reason's Swiss cheese model of how defenses, barriers, and safeguards may be penetrated by an accident trajectory.



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NATIONAL AIR TRANSPORTATION ASSOCIATION





NATA Conference Launches in Florida

everal hundred FBO leaders gathered in Florida for three days in late March to exchange information and gather business intelligence as part of the 2007 NATA FBO Leadership Conference.

"This was a new and tremendously successful event for NATA, targeting fixed base operators nationwide with the information they need to help improve the profitability and performance of their FBOs," said NATA President James K. Coyne. "Next year's FBOLC, scheduled for Dallas in the spring, promises to be even better."

This year's event included informational sessions on business and regulatory issues covering the latest intelligence, tactics, and strategies to maximize FBO business success, as well as a little fun. The President's Golf Tournament attracted passionate participation, as did the Chairman's Reception & Dinner (attracting more than 180 to the bar and buffet at Universal's CityJazz) and a special tour of the Kennedy Space Center, among other highlights.

NASA's Dr. Bruce J. Holmes received NATA's 2006 Distinguished Service Award, honoring outstanding service and ongoing contributions to the industry. Presenting the award, NATA President James K. Coyne said, "Bruce is widely regarded as Mr. General Aviation within NASA and is so very important to our community. Based at the Langely Research Center in Virginia, he has spent a lifetime working to improve both the research into and technology applied by general aviation aircraft, airspace systems, and airports. By taking a complete approach, considering all aspects of flight, his work has and continues to help make general aviation safer, more efficient, and more effective as tools for business and as key contributors to our quality of life. Of course, my hat's off to anyone who can successfully navigate more than three decades of government service at this level while publishing more than 70 technical papers, scoring 4 patents, and helping develop concepts for the next generation of aircraft."



NATIONAL AIR TRANSPORTATION ASSOCIATION







Noted economist Robert D. McTeer, Jr. (above right), former President of the Federal Reserve Bank of Dallas; Jim Christiansen (left), President of NetJets; and John Kilduff (above left), Vice President, Energy Risk Management Group, The Fimat Group, joined Bill Bower of Dayjets to discuss the state of the economy, today, and tomorrow. The group indicated that the near term for the economy looks solid, barring another terrorist attack, particularly on the world's energy supply infrastructure. Right, Tom Madden and Rob Morton from the Disney Institute highlighted the philosophies and best practices for orchestrating a world-class customer experience. Session participants—no slouches when it comes to customer service—indicated by a near-unanimous show of hands that the session exceeded their expectations.

"Expanding Your Company, The Right Way," a session on new FBO business opportunities, was moderated by John Infanger, Editorial Director of Airport Business Magazine and included (from left) Mark Chambers, Managing Partner, Aviation Resource Group International; Frank Milian, President & COO, Jet Source; Dale Froelich, Encore LLC; and Don Campion, President, Banyan Air Service.





Right, NATA honored Michael Gaffney, Chief Flight Instructor and President of Skyline Aeronautics, with the 2006 Excellence in Pilot Training Award. In making the presentation, NATA President Coyne said, "Mike is an extraordinarily talented guy. How many A&P mechanics do you know who also hold an ATP rating with CFI, CFII, and CFMEI certifications all, I might add, accumulated over 3,500 flight hours. Perhaps few today better epitomize achievement in flight training than that already accomplished by Michael Gaffney. I'll bet there's much more to come from Mike, too."



2007 NATA FBO LEADERSHIP CONFERENCE



Dale Meiler received the 2006 ATP/NATA General Aviation Service Technician Award. Meiler is the Lead Maintenance Inspector for Banyan Air Service in Florida. NATA's Coyne called Meiler's career,"A role model for aviation service providers. Without his life's work and that of others in the field, aviation as we benefit from it today would not exist."The award was sponsored by Gerry Kosbab (center), President of Aircraft Technical Publishers.



Left, Robert L. McDaniel (center), Director of the St. Louis Downtown Airport, received the 2006 Airport Executive Partnership Award from NATA President Coyne and Wolfgang Neuwirth (right), Publisher of Airport Business magazine. Coyne said, "Bob flew his first solo flight at the St. Louis Downtown Airport on his 16th birthday and began working at the airport as a line service technician the same day. After a remarkable 25-year career in the Air Force, he returned to civilian aviation and in 2000 came back home to the very same airport where his aviation career began. Under his leadership, St. Louis Downtown Airport has flourished, with new hangars, ramps, taxiways, and a control tower nearing completion, helping to make it one of the busiest GA airports in the nation. That takes skill and talent."



Football legend Lou Holtz delighted the audience with an often hilarious presentation to a standing-room-only crowd eager to hear his recommendations on how to succeed on the football field and in life.

"Working Effectively With Your Airport" was covered in earnest by (from left) Eric Byer, NATA Vice President of Government & Industry Affairs; Lanny Rider, Airport Manager, Teterboro Airport; and Jeff Kohlman, Aviation Management Consulting Group.





Dr. Jim Harris, Founder and CEO of the Achieve Great Results Institute and the Marcus Point Leadership Institute, dispelled myths and offered a series of recommendations to help managers better manage, train, and motivate their people.



34 Bases Customer / pilot amenities Flight planning Line maintenance Airline services

FBO

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Going Green With GSE

Government mandates and environmental concerns spur innovation on the ramp.

By Paul Seidenman and David J. Spanovich

t FBOs across the country, ground support equipment (GSE) is going green, as new government mandated emission standards phase in and airports continue to become the targets of noise-sensitive neighbors.

"The trend is definitely toward more environmentally sensitive GSE, powered by batteries, natural gas, or any technology that is less polluting," said Steve Dennis, president of the Aviation Resource Group International, an FBO consulting, sales, and development firm with offices in Denver, New York, Miami, and London. "Battery powered equipment, especially, is the wave of the future, since the technology has reduced weight which increased capacity."

The development of cleaner burning equipment in the United States can be attributed largely to Environmental Protection Agency (EPA) regulations governing diesel engine emissions, including off-road vehicles such as GSE. Adopted in 1994, the regulations were meant to reduce nitrous oxide, hydrocarbons, and particulate matter in newly built engines.

The new regulations were devised under a multitiered system. Tier 1, applicable to engines more than 50 horsepower (HP), was phased in between 1996 and 2000. Engines less than 50 HP came under the same rule between 1999 and 2000. The law's more stringent Tier 2 standards—for all diesel engine HP ratings—were then phased in between 2001 and 2006. Even-higher Tier 3 standards, specifically for engines rated more than 50 HP, were slated to be implemented between 2006 and 2008.

In May 2004, the EPA announced a more comprehensive rule to reduce emissions from off-road diesel engines through the integration of engine and fuel controls as a system. Under this mandate, dubbed Tier 4, manufacturers of engines for all non-road equipment will have to use advanced emission control technologies similar to those now mandated for highway trucks and buses. The new standards for off-road equipment will be phased in for diesel engines up to 750 HP from 2008 to 2014. Engines rated at more than 750 HP will get another year to comply.

In tandem with meeting the federal government's new regulations, GSE manufacturers are working to address the customer demand for cleaner burning, quieter, and more efficient vehicles.

"Most of our tugs now run on propane fuel, which is clean and eliminates the need to store gasoline cans in our hangars," said Gary Geis, aircraft maintenance manager for BizJet, a Tulsa-Okla.-based

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Going Green with GSE

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FBO and business jet maintenance facility. He also noted that the new tugs are more maintainable. "They come with electronic ignition controls that do away with the problems of the older, carburetor equipment, which needed constant tune-ups."

Tim Hassett, tool room and ground support equipment team leader at Duncan Aviation in Battle Creek, Mich., reported that the facility, which includes an FBO and business aircraft maintenance hangar, has largely moved toward electrical GSE by acquiring electric forklifts and scissor lifts.

"Since these are used mainly inside the hangar, the electric power eliminates indoor air pollution," he said. "We also use more 28-volt DC ground power units, which do not rely on diesel generators. We just plug them into the hangar and then plug them into the airplane."

He said that many of today's ground power units are more reliable, using solid-state circuit cards that are easily removed and replaced.

According to Hassett, Duncan is working with its GSE providers to keep up with advances in aircraft avionics technology. "For example, the Learjet 45 will not accept ground power that fails to meet the parameters that have been established to protect



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its avionics system," he said. "The OEMs (original equipment manufacturers) of diesel powered generators have been very proactive in upgrading their equipment to meet the needs of FBOs that service the newer generations of business jets."

Increased Demand for Cleaner-Burning GSE

Dick Baxter, vice president—customer service for Marietta, Ga.-based TUG Technologies Corporation, confirmed that there is more demand for cleanerburning equipment. In fact, he said that the OEM, which sells equipment to both the airline and general aviation market, has produced electrically powered vehicles, including tugs and belt loaders, since the 1980s. "We are continuing to upgrade our electric vehicle product line as a result of customer requests," he said.

The company is also exploring the use of alternative fuels and is currently testing two tugs propelled by hydrogen-powered internal combustion engines. The tugs, which will be in tests through the end of this year, use tow bars with a 4,000- to 5,000-pound draw bar capacity, giving them the capability to tow an aircraft of 50,000 pounds maximum take-off weight. Baxter admits, however, that hydrogen is still more in the future for now. "Unfortunately, the biggest issue concerning hydrogen fuel is limited infrastructure to generate and deliver," he said.

None of this means that the company is abandoning conventional fuel based equipment, Baxter stressed. "Fossil fuel powered GSE will be around for a long time," he said. "For instance, when you have to use an air start unit, you need a huge amount of horsepower. That requires diesel."

In fact, a lot of attention is being paid to diesel propulsion, as well as new technology for gasoline engines in GSE, according to John Moore, vice president, sales and marketing, for Harlan Global Manufacturing in Kansas City, Kans. The company builds a varied line of GSE, but buys the propulsion systems from engine manufacturers.

"We are looking at some of the new, cleaner-burning gasoline engines, although we are marketing products that are propane powered," Moore said. "At the same time, we're getting heavily involved with new hybrid technology incorporating greater battery storage capacity for longer running times. The hybrid technology we use has resulted in a 50 percent fuel savings within a very compact and efficient package, using a 23-HP engine to charge the batteries."

Although he acknowledged that demand for all-electric equipment is there, Moore reported

that this has essentially stabilized in recent years, because not every FBO or airport has the power grid in place to charge electric vehicles efficiently. "That's why most of the demand at this time is for cleaner burning diesel engines, which are independent of the electric power recharging process."

Byron Gray, Landmark Aviation's Dallas, Tex.based regional vice president, FBO division, agrees. He said that his company, which is now phasing out older rebuilt equipment in favor of brand new products, will continue to use conventional fuel powered baggage tugs.

"Electric baggage tugs are available, but they are more practical if you are handling very large volumes of luggage, which are more typical of airline operations and less with FBOs," he said. "You also need to have the electrical infrastructure for charging the equipment on the field to make them practical, and that equipment is expensive."

Landmark does employ electrical golf cart type passenger transports for delivering supplies, such as catering and some luggage, to the aircraft. "The golf carts are intended to replace vans, and we have found that it is a more professional and efficient means of moving small numbers of people and supplies," Gray said.

Keeping the Noise Down

Harlan Global Manufacturing's John Moore said that along with cleaner fuels, noise reduction is also a major factor, especially at airports that have strict noise rules. "A lot of us are focusing on this today," he said, adding that European GSE manufacturers have been "on the leading edge of reducing noise" since many countries have set limits of 80 decibels at three meters.

Harlan is actively pursuing the establishment of licensing and joint venture agreements with several European manufacturers, with three or four such deals likely to be announced this year.

The combination of cleaner fuel and noise considerations may be helping to drive the market for "towbarless tugs," which are mainly electric and quiet-operating. These tugs are also a safer method of moving airplanes around, according to Stephen Sipe, director of sales and marketing for LEKTRO, Inc. of Warrenton, Ore. The company is a major supplier of towbarless tugs.

"Because the tug lifts the nose gear and essentially carries the airplane, you eliminate the heavy tow bar, which can cause back strain since the ground service person must lift and attach the tow bar to the aircraft," Sipe explained. "Also, under certain conditions, a tow bar system can cause an aircraft being towed to jack-knife, if for example, it hits a patch of ice. When this happens, one of the wings could hit the towing vehicle, causing severe damage."

FBO consultant and marketer Steve Dennis agreed the trend is away from tow bars and toward tray or platform towing methods. Along with minimizing the potential damage to aircraft, this trend is also a labor-saving device. "Using tow-bar equipment means that along with the tug driver, you must have someone who will actually connect the tug to the tow bar and then connect it to the aircraft. With a towbarless system, you don't need to hire that additional person."

Greg McQueary, aviation services manager for AirFlite, a large FBO at Long Beach (California) Municipal Airport, feels that towbarless tugs are becoming more popular due to their maneuverability and electric propulsion. "They are less costly to own, given that they use no fossil fuels," he said. "A tow bar, itself, will run between \$2,000 and \$4,500, depending on capacity. Add to that about \$900 for the typical tow bar head used with a corporate aircraft. Each tow bar head must be compatible with

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Going Green with GSE

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the individual aircraft type."

McQueary said the costs to acquire the tugs are roughly the same—about \$40-60,000 for a dieselor gasoline-powered tow bar model and roughly \$40-70,000 for the electric version. These costs are predicated on the specific product selected and are within the range of those used for corporate, rather than airline-size, equipment.

"It not only saves fuel costs, but the issue of what type of head to use is eliminated," he said. "Towbarless tractors can be used with almost any type of aircraft because of the way in which they attach to and lift the nose wheel landing gear strut."

Still, not everyone is convinced. Duncan Aviation's Tim Hassett said that his facility still uses tow bar tugs because there are still many owners who

Resizing Fuel Trucks

The trucks that bring the avgas or jet fuel plane side are undergoing some changes of their own, along with other equipment on the FBO ramp. Very simply, fuel trucks designed for the general aviation market are getting larger, said Kevin Ward, director of marketing for Rampmaster, a market leader in higher capacity models. The Coatesville, Pa., company ranks the FBO industry as its second largest market after airlines.

"With larger business jets the trend, we are seeing more orders for trucks with a 5,000- to 7,000-gallon capacity and away from the 3,000-gallon models," he said. "That size now represents about half of our total business."

Ward pointed out that digital metering systems are becoming more common and are offered as standard equipment on Rampmaster trucks. The digital systems automatically record the amount of fuel pumped into the airplane, with the information, including the total sales figure, printed out using a cab-mounted printer. Rampmaster also offers an option to upgrade the meters for wireless data transmission.

"Wireless transmission is an evolving customer demand, as more FBOs are integrating it into their accounting packages," Ward said.

Landmark Aviation's Byron Gray agreed that wireless transmitters are probably the most efficient way to send the information quickly and accurately from planeside to the FBO back office.

"Right now, Landmark is evaluating wireless fuel information transmission systems with the idea that we will probably go in that direction," he said. "We are looking at costs and how the equipment will integrate with our accounting systems."

–Paul Seidenman

are not comfortable with the new ones. He said that some aircraft OEMs actually do not recommend their use. "They like us to use the same type of towing system they use at their home base," he said.

But the bottom line of what could be the greening of GSE is that electrical power will continue to be in a growth mode. "Electric GSE is an evolution in the industry," said LEKTRO's Stephen Sipe. "Twenty years ago, many argued that there was not enough battery power and the equipment could not operate for long between recharges. But today the technology has become more dependable with greater running times."

The Timing Is Right

All of this new GSE technology is entering the market at a very opportunistic time, as many FBOs are looking to replace their older equipment to meet the demands of today's larger aircraft.

"A towing vehicle with a 3,000-pound capacity is no longer adequate for some of the larger business jets such as the Global Express and Gulfstream 550," Sipes said. "They require a 120,000-pound capacity. We believe the market for equipment capable of towing larger aircraft will increase."

Still, Sipes noted that the very light jets (VLJ) are seen as a notable exception to this trend. In fact, LEKTRO introduced its Model AP 8350 electric towbarless tug at last year's NBAA convention in Orlando, Fla. Designed for aircraft of less than 10,000 pounds maximum take-off weight, it is intended for both FBOs and VLJ owner-operators.

Paul Borton, sales and marketing manager for Holland (Toledo), Ohio-based Tronair, a major supplier of GSE, reported that his company is currently working with VLJ OEMs to develop GSE, such as towing bars, cabin pressure test equipment, and hydraulic servicing equipment, that will be compatible with the new class of aircraft. "This includes anything that would be needed for the aircraft, not only at the maintenance but at the operator level," he said.

Borton said the growth of the general aviation market was among the reasons why Tronair acquired JETporter of Bend, Ore., in 2006. "They are a specialist in serving the general aviation aircraft market, and we are looking to expand and enhance their product line," he said.

With trends toward larger business jets and VLJs and more FBOs seeing less single and even twinpiston traffic, the opportunities for the GSE industry in general aviation are growing. The need to reequip, especially with cleaner and quieter operating systems, is the bottom line of the GSE market.

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By David W. Almy

fter more than 33 years serving the needs of clients, member companies, brokers, and owners, Mike Sweeney has seen just about everything. Now, as the new chief of one of the nation's most venerable aviation insurance underwriters, he faces perhaps his greatest challenge—the softest insurance market of his career.

You might think that five-plus years after 9/11, the insurance industry might be free and clear of the economic impact of that terrible day, but you'd be wrong.

"Immediately after the tragedies of September 11, 2001, the aviation insurance markets were very unsettled," Sweeney said. "Reinsurers invoked their right to cancel war risk coverage and then offered reinstatements at significantly higher terms. The impact of September 11th was felt in all lines of the aviation markets. Within a year, capital markets viewed the aviation insurance market as an attractive investment and new resources began to emerge. Since then, many new markets have surfaced, all seeking to participate, while the traditional markets are competing vigorously to retain their clients. In this scenario any transaction can become a jump ball—a jump ball with several players (markets) elbowing each other to grab the ball."

Overlooking the East River and the Brooklyn Bridge from his 15th floor office on the lower East Side of Manhattan, Sweeney discussed aviation, insurance, and his upcoming challenges with the NATA workers' compensation program. He took charge of USAU just last summer, jumping into the thick of one of the toughest markets the cyclical insurance industry has seen in his business life. There has always been healthy competition, but it's the number of quality competitors today that has Sweeney's—and USAU's—attention.

"Since we only provide insurance for aviation exposures, we must remain focused on selection of quality risks. Although we provide insurance programs for airline, manufacturers, and aerospace clients, our general aviation business is by far our largest business discipline. From time to time the percentages may change, but for the past several years general aviation has accounted for more than 8 percent of our revenue. Within our general aviation book of business, the split between business and pleasure, commercial and corporate or business aviation is fairly balanced."

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After serving five and half years in the U.S. Air Force as a pilot and aircraft commander of a B-52 aircraft, Sweeney joined USAU in 1974. He has worked in their New York City office in a variety of positions since joining the firm. "In my first assignment as an underwriter in the Eastern Department, I had a metal desk, a telephone, and an adding machine the size of a desktop computer. We also had a Cessna 182 that allowed the underwriters to get out from behind our desks and visit our clients. That was the fun part of the business. You know what, it still is!" he said. **Mr. Insurance** Continued from page 27

Recently, back at the center court jump ball, Sweeney's elbows are getting a bit raw.

"It's pretty simple actually. Just as in Economics 101, if there are a lot of people selling widgets, the price of widgets will go down. The same is true for aviation insurance.

"It normally takes several years for some markets to gain traction. So what began in 2002 now appears to be at a peak in 2007. As with any business, new entrants to a market put pressure on pricing, but they also do something else-they force the existing markets to dig in and work that much harder to retain their business. The advent of the market expansion has resulted in a highly competitive market with an added emphasis on service and support. The clients have been the beneficiaries of this highly competitive market."

But can the aviation market sus tain all the new entrants, or will they evaporate just as quickly as they appeared?

"That is the normal progression. There is a beginning, a middle, and an end to market moves. After market capacity peaks and the losses exceed premiums for some period of time, first the reinsurers retreat, soon to be followed by the primary markets. This is a very typical scenario in a cyclical market," Sweeney said.

"Rates will reach a level where they're not sustainable, and eventually some capital providers will decide to take their capacity and move it to other markets," he said. "That has yet to happen."

But other factors beyond capacity also are driving today's insurance rates.

"The loss experience for the industry has been remarkably good of late. Reinsurers look first to the airline experience when evaluating the aviation market. Since the tragedies of 9/11, the airline industry loss experience has produced results that are attractive to investors. There is a trickle-down effect in the aviation insurance business. As airline experience improves, capital resources are directed to that market. The capacity is then extended to other aviation markets, and a soft market ensues," he explained.

"Compounding the underwriters' problem is that as the rates and premiums erode, the cost to settle and adjust claims continues to rise. Liability awards for aviation-related injuries and fatalities, particularly in the United States, have increased gradually but consistently year in and year out. In addition the cost for parts and repairs have risen annually as well," he said.

Despite the overall loss statistics and trends, Swee ney views the general aviation community as a bright spot with the evaluation of operators very much a case-by-case exercise.

"Rates will reach a level where they're not sustainable, and eventually some capital providers will decide to take their capacity and move it to other markets. That has yet to happen."

"The experience for the general aviation markets has actually been pretty good as well," he said. "Of course, the rate/premium increases in the post-9/11 environment had a lot to do with the improved experience. Corporate or business aviation has been and continues to be the most attractive subset of the business. This category offers an underwriter professionally trained pilots, operating well-maintained turbine-powered aircraft—a good combination.

"On the commercial side of the business, the industry experience is more difficult to isolate. Within the category the exposures range from light aircraft training facilities to one- or two-ship turboprop or turbine charter operators to the large jet management companies. And let's not forget the fractional share managers.

"By far, the commercial business is the most Continued on page 32 Aim for Horizon

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Mr. Insurance

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challenging to the underwriter," he continued. "Some commercial accounts may serve one area of the business—Part 135 charter, fractional shares, aircraft management and Part 91, flight training, or ground services. However, many operators combine two or more aspects of the business, complicating the underwriting and rating process.

"We have found that the most efficient and effective tool in underwriting any commercial account is to require a visit to the primary operations facilities to meet the risk manager, operations, and maintenance staff.

"The site visit is the first step in the exchange of information that is so important in establishing a working relationship. During the visit the underwriter gains indepth knowledge of the client's operations, training programs, safety commitment, and their organizational structure. In addition, the client will hopefully develop a comfort with the underwriter and their approach to claims handling and general service capabilities.

"The art of underwriting is getting to know the people and developing a comfort with them. Good communication is a two-way street. If there is a claim or a need for services, it's best that people have met and have an understanding of what will take place in the processing of their claim," he said.

Those personal relationships that are vital to Sweeney are increas ingly threatened in today's world, he believes.

"The insurance industry can sometimes be its own worst enemy. When rates went up so dramatically after 9/11, I think many customers felt as though the markets were treating insurance as a commodity and raising prices because they were able to. That resulted in some damage to the relationships between underwriters and clients. Those wounds are slow to heal, and as a result many clients now view the insurance market as a commodity. The insurance markets must work very hard to regain the trust that was lost or damaged in the aftermath of 9/11.

"The long-term insurers are looking to establish sustainable partnerships with their clients. Partnerships are developed over time. In the course of doing business, both sides of the partnership have opportunities to demonstrate their commitment to that relationship. Each time one partner responds in a positive, fair manner, the relationship is enhanced. Each party sees value in the other, is concerned for the other, and is committed to building the trust that bonds the two together. Partnerships are tested in soft and hard markets. But the true partnerships withstand both," he said.

Consistent with Sweeney's em phasis on the partner relationship, he said that USAU believes each customer deserves a unique ap proach.

"My experience tells me that the first thing you need to do is find out what's important to the client," he said. "Good listeners become good marketing and sales people.

"Listen to the clients' interests, their needs, and their goals/expectations involving their insurance programs. The broker may be the best person to articulate their positions. Only then can the underwriter devise a program to meet their needs."

Sweeney believes that safety and engineering should go hand in hand.

"Engineering support to an operator includes an evaluation of their exposures and recommendations for programs or training that will improve the risk. Safety Management Systems (SMS), like NATA's Safety 1st program, is a simple, yet comprehensive and effective program. We encourage SMS for all of our corporate and commercial operators," he said.

"Depending on the needs of the customer, we may recommend introducing a specialist with specific skills, knowledge, and experience that will help the client in areas where they need support," he said. "For example, a corporate operator seeking IS-BAO certification or a charter operator in need of assistance in establishing an SMS or Risk Assessment Matrix may need outside assistance to initiate, implement, and complete the project. Another situation frequently addressed is to recommend outside consultation in the area of ground service training or with respect to OSHA training. I like the expression 'there are horses for courses.' Not all safety engineers can provide top quality service in all areas of the business. We believe that you need the best 'horse for the course.'

In a soft market, price is a particularly key component of the partner relationship, and Sweeney said that "USAU has been competitive

in its pricing strategy."

"Our underwriters have a great deal of flexibility when it comes to pricing our products," he said. "They have general guidelines, based on known costs. In addition, we have a network of supervisors in three regions across the country. If an underwriter and his/her manager feel that a particular situation warrants some special consideration on pricing because of the competitive situation in that region or because of the relationship with that particular account, the clients normally have several choices, and that's a pretty good place to be if you're a buyer.

"Our underwriters have to be sure that before we go to the client/broker with a program, first that it is competitive, second that we've explained what services we can provide, and third that we're confident that we are offering our most comprehensive program.

"After all is said and done, we often learn that the client paid more for our services to continue the relationship with USAIG because

"The art of underwriting is getting to know the people and developing a comfort with them. Good communication is a two-way street. If there is a claim or a need for services, it's best that people have met and have an understanding of what will take place in the processing of their claim."

they have the flexibility to make a decision to adjust pricing. Nothing is etched in stone. In each situation you'll reach a point where someone will decide, but there's no rigid criteria of where pricing should be.

"We'd like to think that our people keep their finger on the pulse of what's going on in their territory. That's one of the reasons to have a number of offices so that you can be in tune with what's going on in each region. I think we're usually pretty close to where the market is, and if we're a bit off, the market will let us know pretty quickly. The market tends to correct itself, and the client gets to make a choice. That's the nice thing about today's situation, they appreciate that the value of the services available exceeds the cost differential. For them, it's more than just the money," he said.

Back at the airport, Sweeney drew a clear distinction between ground and flight operations. They represent different risks, in stark ways.

"With ground personnel, many times you have very experienced supervisors, but at the next level of personnel on the ramp there's a high turnover," he said. "Depending on the part of the country you serve, an operator could be in very warm or very cold climates. Due to the seasonal nature of their operations, clients may have turnover in personnel that's par-Continued on page 34 "Partnerships are developed over time. In the course of doing business, both sides of the partnership have opportunities to demonstrate their commitment to that relationship. Each time one partner responds in a positive, fair manner, the relationship is enhanced."

Mr. Insurance

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ticularly acute. Thus the Safety 1st training that I mentioned earlier has even greater value.

"Ground accidents have been a problem for operators and underwriters for years. Recently, there has been more attention paid to this problem by underwriters and industry organizations.

"The NATA, Flight Safety

Foundation, and the NBAA have all made an effort to address the problem," he said.

Workers' compensation insurance also has become a very important part of USAU's business for commercial operators.

"We view our company as a fullservice provider," Sweeney said. "Our member companies support our underwriting of physical damage, aircraft and general liability coverages for all areas of our business. In addition, our member companies also provide the capital and claims expertise for workers' compensation coverages. Having the ability to provide workers' compensation exposures allows a broker/client to consolidate their exposures with one market. This capability offers more opportunities for our underwriters to create a complete program for our clients.

"We have had the privilege of providing and servicing the NATA workers' compensation program since its inception over 30 years ago. Rarely do insurance programs survive for such an extensive period. However, the NATA program has prospered, delivering annual good experience returns to participants. Over the life of the



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program, in excess of \$51 million in good experience returns have been distributed to the NATA program participants. Truly a winwin-win situation for the NATA, NATA participants, and USAU/ USAIG.

"Professional flight and ground service operations normally have something in common-a professionally prepared, well defined, and consistently implemented safety program in place. We have found that when an operation has experienced management, diligent supervisors with a high priority for initial and recurrent training, that risk will also be a fundamentally sound workers' compensation risk. Workers' compensation is an important part of the conversation when our underwriters are meeting with a prospective client-particularly with an NATA member.

"We think of ourselves as a natural fit for the charter operator who views safety and training in a professional manner. Those operators are not focused solely on price, but are looking for a partnership that offers mutual support and respect.

"Part of that support includes the comfort that in the event the unthinkable happens, a tragedy involving their flight operations, the people responding have the experience, the training, and the sensitivity to handle the ensuing issues professionally and in keeping with *their* corporate culture.

"It takes time to build that type of relationship. But it is those relationships that withstand the test of time, in hard and soft markets. Fortunately, we were blessed with many clients who value that level of partnership," he said.

As for the future, Sweeney is optimistic and eager.

"Many of our clients are embracing the NATA's Safety Management System, improving their "Business is better because aircraft sales are up, and charter operators are doing better than ever as far as the number of hours they're flying. There are some very positive things going on from an insurance market standpoint. Today, it is a buyer's market. As always, that will sort itself out."

SOPs, and bringing better accountability and higher standards to their operation. The market is growing. GAMA recently reported that OEM's expect to sell 1,000 business jets in 2007, up from 850. That's a very good thing for underwriters and for those who fly, fuel, and service those aircraft. The fact that insurance rates are in a down cycle is a reality. Underwriters have to be selective and make good decisions about the clients they insure, and eventually they will emerge from this cycle. Business is better because aircraft sales are up, and charter operators are doing better than ever as far as the number of hours they're flying. There are some very positive things going on from an insurance market standpoint. Today, it is a buyer's market. As always, that will sort itself out, and our clients will have enjoyed the ride," he concluded.



Managing Big Fuel Costs with a Little Homework

nyone who operates an aircraft for business or personal use knows that fuel prices have spiraled dramatically upward, more than doubling within the past five years. As a result, the typical on-demand charter operator or corporate flight department manager now pays more attention than ever to controlling the cost of filling up the tanks. Put another way, the days of plunking down a credit card at the most convenient FBO with no questions asked are long gone.

For the charter provider, fuel costs have become an extremely critical factor in a very competitive business with cutthroat pricing and huge pressures on profit margins. In fact, depending on whom you talk with and the type of airplane involved, between 25 and 60 percent of a trip quote could be attributed to fuel.

"Except for a few very wealthy individuals, charter is a very price-sensitive business," said John Dow, CEO of FirstFlight, a charter and aircraft management firm based at the Elmira-Corning (New York) Regional Airport. "People call around and price each of us against the other. We also realize that fuel costs will be a significant contributor to what we quote, so we spend a lot of time to find the best prices."

> Interestingly, escalating fuel costs have been an issue for only a relatively short time. Based on data supplied by the U.S. Department of Energy's Energy Information Administration (EIA), the average retail price of jet fuel in 1983, for instance, was 87.9 cents per gallon, with aviation gaso

line (avgas) selling for \$1.26. Following a few years of declining prices, in which jet fuel and avgas sold for average lows of 51 and 89 cents, respectively, things began gradually trending upward in 1988. By 1990, jet fuel hit 76.7 cents, and avgas users were paying \$1.12.

During the 1990s, fuel prices were relatively stable for both turbine and piston aircraft operators. In fact, in 1998 prices dropped to a per-gallon average as low as 45.3 cents for jet fuel and 97.4 cents for avgas.

In 2000, however, operators saw a spike in price of about 25 percent, which was followed by modest increases until 2004 when things really began to take off. For the first time, the average per-gallon price of jet fuel broke the one-dollar mark (\$1.21), while avgas had reached \$1.87. During 2006, both avgas and jet fuel rose nearly \$1.00 per gallon, selling for average prices of \$2.72 and \$1.99, respectively. At those prices, fuel cost management is imperative,

given its sizeable

Average Retail Jet A Fuel Prices 1983 – 2006 Source: U.S. Department of Energy

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In addition to identifying the cheapest fuel prices at various airports, these software products and others available also help operators determine if

those facilities can be accessed by the specific aircraft they fly, based on performance data.

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impact on the bottom line. "Since all operators charge roughly the same hourly rate for like-model aircraft, those who can operate more efficiently, through lower operating costs, make more margin," said Tom Mekis, vice president, aircraft sales, charter and management for Landmark Aviation in Winston-Salem, N.C.

Unlike an unplanned maintenance event, fuel is a business cost over which the operator can apply some control. But that involves doing the homework, often for every trip. Fortunately, it's not rocket science, as illustrated by some of the methods used by various operators who shared their thoughts about ways to hold the line on what they pay at the pump.

Use Computer-Based Tools

"Any pilot who is responsible for making purchase decisions must keep fuel pricing in mind for every trip flown, especially when buying fuel away from base," said Tom Philips, who flies a Hawker 400XP and a Falcon 200 for a private individual. "Our aircraft do not have transcontinental range, which means making fuel stops on some trips, so we always check to determine where the best prices are."

That information, said Philips, is as close as his deck-top PC, thanks to modern trip planning software products. As an example, he cited the Flitesoft flight planning tool, sold by RMS Technology, Inc. Flitesoft's features include a fuel database that covers most airports, with monthly pricing data updated over the Internet, available by yearly subscription.

As Philips explained, the user simply enters the

cludes the cheapest price at the specific airport you

want to use, as well as at those airports within the

Philips also uses AirNav LLC's AirNav.com, a free

online database of U.S. airports and facilities that

provides trip planning and fuel price information.

area you are likely to make a fuel stop," he said.

airport codes for the trip's origin and destination,

and the software helps plot out the trip. "That in-

Shop Around And Negotiate

Today, it makes almost no sense to pay the posted price at the pump. For starters, there can be a substantial discount at the aircraft's home base, given the high volume of fuel that is likely purchased there. But savings can also be realized on almost every trip. Even on the road, discounts are often available for transient aircraft, especially those that visit a given airport frequently.

For example, TAG Aviation, a Burlingame, Calif.based business aircraft management firm and charter operator (through affiliate AMI Jet Charter), has been able to leverage its fleet size when negotiating fuel prices. Paul Class, vice president charter sales and flight coordination of the firm, which currently manages 150 aircraft, said that TAG's annual fuel purchases are evaluated and used as a guide to negotiate the best prices.

"We identify about 20 preferred airport locations, and then we come up with an FBO at that location, with which we negotiate," he said. "We do this at least several times per year, per location."

Bill Mayo, CEO of Denver Centennial Airportbased Mayo Aviation, with 15 aircraft on its Part 135 certificate, said that fuel suppliers are contacted at all airports to be visited on each trip to get pricing information in advance. "We actually phone all the FBOs at the airports to be used unless a customer wants to use a specific facility," he said. "We'll ask them if there is any type of discount we can take advantage of, based on volume and/or use of a preferred card."

Preferred cards, Mayo said, are usually those issued by the oil companies, for use at their branded FBOs.

Even operators of small aircraft, including helicopters, can negotiate discounts with a single facility, usually on an aggregate basis over a long-term, predictable timeframe. According to Larry Corbin, director of customer support for American Services and Technologies, this is especially impor-

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tant for helicopter operators who typically cannot purchase fuel, per fill-up, at the same discounted volumes as large corporate jets.

"Very often, if you do this, the FBO will include you in its fuel discounting program," said Corbin, whose St. Louis-based fuel consultant firm focuses on emergency medical services helicopter firms. "I've seen discounts of as much as \$1.00 per gallon on bulk monthly purchase agreements of at least 3,000 to 3,500 gallons at some FBOS."

Another way to negotiate a fuel volume discount is on the basis of a pre-buy. "Say to an FBO that you are willing to put a certain amount of cash up front," Mayo said. "Often, an FBO will give you a better price if you do that. Also, it really pays to talk with the FBO to see what its needs are and how some of those needs might be compatible with your own. You'd be surprised how that could translate into better fuel pricing."

Look for Competitive Pricing

Fuel savings for transient aircraft are more likely to be available if there are multiple FBOs on the airport. FirstFlight's John Dow explained. "At one airport we fly to frequently, one FBO has priced jet fuel as high as \$5.75 per gallon," he said. "But just across the field, it was as low as \$3.10. During the past year, this \$2.65 per gallon difference has been the typical spread at that airport."

For the past several years, FirstFlight has maintained an in-house fuel research department that gathers fuel-pricing data at all airports on every trip. Combining this information with fuel buying plans, FirstFlight has reduced fuel costs by 20 to 30 percent over the past several years. Dow also said that the more expensive fuel is often typical of the more "glitzy" FBOs. "If the customer knows there is less expensive fuel available at an airport but insists on fueling at the more expensive facility, we'll do it, but we'll levy a surcharge. This, in fact, is becoming more common among charter operators."

Fuel-Buying Plans

Many Part 135 operators and corporate flight departments subscribe to discount fuel-buying plans that are operated by resellers or brokers. They sell large volumes of fuel through FBOs, with which they negotiate a fee for each gallon sold to the members of the plans operated by those brokers. The FBO benefits because of the member referrals. Membership in the plans is usually free, although most require the member to establish credit with the reseller, who bills the user for the fuel purchased.

Discounts are highly variable under these plans because they are tied directly to the fees the reseller or broker negotiates with each FBO. In some cases, the discounts are significant, but in others, they are about the same as what buyers can negotiate on their own.

Tanker Fuel

Under some circumstances, tankering fuel to avoid a high-priced fill-up at some airports might make sense, though some pros and cons must be weighed. The obvious downside is that the airplane carries more weight, which can impact performance and burn more fuel. But other issues should be considered. "The rule of thumb is that you never want to return to your base with more fuel in the tanks than the minimum required reserves because the FBO where your aircraft is based is probably offering you a substantial discount," said Tom Philips. "The cheapest fuel you will buy is probably where you base your aircraft."

TAG Aviation's Paul Class agreed that for every flight the decision to buy or tanker must be considered in the trip planning. "There is no mathematical formula for coming up with an answer, but in addition to looking at the fuel prices at the airports you will use, you also have to consider the FBO ramp fees. Today, most FBOs will charge a ramp fee, if you don't buy fuel."

Mayo Aviation's Bill Mayo reported that with a typical mission profile of two to three legs—out and back—the decision to tanker is based on prevailing prices en route. "If there is enough of a difference in price between airports, especially on multi-leg trips, we will elect to tanker fuel to the one that has the more reasonably priced fuel," he said. "In our case, about half the trips we run are multi-leg, with two or three stops, and that is not materially different from other operators in other regions of the country."

Make Sure Everything Is in Trim

Anything on an airframe that unnecessarily protrudes into the air stream is going to create drag that can increase fuel burn to even a small degree. Regular inspection programs should make sure that all landing gear doors close completely and that all flight control surfaces are properly rigged.

Fly Smarter

Managing costs means flying more efficiently to burn less fuel. As FirstFlight's John Dow pointed out, nearly all flight planning software incorporates the Boeing Winds database of wind conditions aloft, which helps with advanced planning. Combined with real-time weather forecasting, that gives the pilot the most fuel efficient track between the points to be flown.

In that regard, Tom Philips reported that more pilots today are taking advantage of DUATS (Direct User Access Terminal System), a free Internet- and telephone-based FAA weather and flight planning service. "DUATS can be used to calculate flight times for a specific trip using your aircraft's performance data," he said. "It is very accurate and helpful when calculating trip times and fuel burn." According to Bill Mayo, flying smarter often comes down to technique. He said that his pilots are currently developing a pilot technique program designed to cut fuel consumption by at least one percent. He gave an example of one.

"Let's suppose you are on a trip and air traffic control asks you to descend from your cruising altitude a little earlier than you had planned and fly a lower altitude, perhaps 50 miles out of your way, before you can be cleared to approach the airport. When asked to do that, our pilots will reduce speed because there is greater fuel burn at lower flight levels. That's just one of the little things you can do to make savings add up."

While Landmark Aviation's Tom Mekis agreed that flying techniques can save fuel, he feels it ultimately comes down to a judgment call. "You want to save on fuel, but you have to be sensitive to the customer who wants to get there as quickly as possible. At the same time, our crews are told to use their best judgment, such as anticipating en route flow controls or holds."

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FBOS Are Competing in a Buyers' Market

FBOs are gouging customers at a time of high fuel prices, it's time to think again. That's because when pilots plunk down cash or a credit card for fuel, it's a safe bet that they or their employer will not be paying full price.

"The posted prices are more of a wish list now that corporate pilots know that they have a certain amount of leverage when paying for fuel," said Richard Fournet, president of Paul Fournet Air Service, at the Lafayette (Louisiana) Regional Airport. "One of the reasons is that given the range of today's aircraft and the amount of fuel they can tanker, pilots can select from a number of facilities to take advantage of the lowest prices."

Unfortunately for the U.S. FBO industry, fuel sales still account for the majority of revenue generated—about 75 percent, according to Gary Driggers, vice chairman of Midcoast Aviation-A Jet Aviation Company. Driggers, who directly oversees Jet Aviation's five U.S.based FBO locations, said that an average of 50 percent of the fuel sold today is discounted to some extent.

"Percentages vary by location since the discounts are based on volume fuel agreements," he said. "These are made not only with transient aircraft customers, but in most cases with operators to get them to lease hangar space for their aircraft from the FBO."

Volume pricing, said Driggers, is the result of two important dynamics that have come about in recent years. One involves a trend away from smaller, owner-flown aircraft toward large, turbine-powered equipment that can carry large quantities of fuel. That trend has become especially strong at the larger FBOs at busier airports, he said.

At the same time, fractional ownership plans have heavily impacted the industry. "Fractionals are being run in much the same way as a commercial airline operation, in which fuel is seen as a commodity and a large piece of their cost structure," Driggers said. "With their buying power, they can do a much better job of controlling price."

The Impact of Fractionals

Greg McQueary, aviation services manager at AirFlite, a Long Beach, Calif., FBO, goes so far as to say that the fractionals have become the dominant buyers of fuel today for general aviation aircraft. "Their influence on fuel sales has reached a point where they can literally make or break an FBO," he said. "They're having a huge impact on the retail price, not only in terms of what they buy directly from the FBOs, but what they buy from the fuel brokers."

Fuel brokers, too, have impacted revenue, reported Richard Fournet. "While dealing with a broker can help to increase market share, it reduces overall profit margin," he said. "In our case, we are seeing about a 75 percent reduction in the profit margin by selling fuel through brokers, which is now about 15 percent of our business."

In some cases, the degree to which fuel contributes to an FBO's profit margin may also depend on its location, as AirFlite's Greg McQueary explained. "If you run the only FBO at a field that has a very high-end corporate clientele, fuel can contribute as much as 85 percent or more to profits," he said. "But if you have competition, especially from lower-overhead FBOs, the contribution could be closer to 60 percent."

Tom Slavin, president of Million Air Cleveland at Burke-Lakefront Airport, said that where multiple FBOs occupy a single location, the fuel pricing turns into "a mini reverse auction." He explained: "You get on the phone and play one FBO off against another located at the same air field, until somebody finally agrees to a low price just to get your business."

Slavin maintains that nobody in the FBO business today is getting rich on fuel sales and hangar rentals, and he reports that a 2 to 5 percent rate of return is not unusual. For that reason, he argues that the U.S. industry will have to look at other sources of revenue. He pointed to the European model, which relies heavily on fees for all services.

"If this isn't done, the U.S.-based FBOs will have no alternative but to cut back on the services they offer and defer replacement of necessary equipment and improvements until absolutely necessary," he remarked

Citing an example from his own experience, Slavin said he spent \$210,000 in 2006 to purchase a 5,000-gallon Jet A fuel truck that replaced a 20-year-old model that had become costly to maintain. "If our margins weren't under such pressure, we would have replaced the older truck years ago," he said. "You have to sell a lot of fuel to amortize a purchase like that."

On the other hand, Steve Dennis, founder and chairman of the Aviation Resource Group International, a well-known FBO advisory and brokerage firm, noted that FBOs are enjoying historically high margins at the pump. Using December 2006 as an example, he said that the average posted retail price per gallon of Jet A was running at about \$3.87, which included an average margin of \$1.20 per gallon. While that represents a 100 percent increase from about \$0.60 a decade earlier, Dennis cautioned that as the wholesale cost of Jet A increases, retail FBOs will be challenged to sustain current margins.

"If the per-barrel price of oil increases to over \$75 and starts moving toward \$100, the FBOs will be pressured to reduce their margins in order to sustain volume," he said. "There isn't a lot more profit load that the sale of fuel can potentially contribute. FBOs will have to find new services and other business opportunities to add to their profit margins, which will mean making some adjustment in their business models."

But Dennis agrees that even today, with oil trading just under \$60 per barrel, pricing power has shifted to the customer. "Years ago, the pricing power definitely was on the side of the FBO, even though the margins weren't that great. But today it's a much more competitive business and customers have a great choice of where they go to get the best pricing," he said. "The quandary for the FBO is to effectively balance the goal to increase volume and maintain the highest net margin contribution possible against increasing wholesale fuel costs and customer discount pressures from fractional operators and fuel brokers."

While the markup on the wholesale cost of fuel appears to be higher than ever, FBOs must deduct from that the ever-increasing costs of doing business. "If you want to have a quality line staff, you have to offer benefits," Tom Slavin said. "That includes health insurance, which has increased dramatically, not to mention life insurance and 401k plans."

Midcoast Aviation's Gary Driggers echoed this point, citing everincreasing insurance costs as one example. "Since 9/11, premiums for liability have risen anywhere between 40 and 200 percent," he said. But part of that is tied to the growing popularity of more capable, higher value aircraft.

"If you took a snapshot of the typical ramp 10 to 15 years ago, you'd probably see airplanes averaging about \$3 million in value," he said. "Today, we're seeing more aircraft like a Global Express, which is valued at over \$50 million. That's a lot of insurance exposure."

Driggers feels that today's high fuel prices have done little to mitigate rising expenses on the rest of the business, such as the vans, conference rooms, and other amenities that customers demand. Million Air Cleveland's Tom Slavin agreed, adding that that FBOs, as an industry, are not getting what they should for fuel, given the current price-cutting environment.

"FBOs have to generate a fair and reasonable profit in order to serve their customers on a longterm basis because a marginally profitable operation won't work," he said. "Pilots who insist on the short-term benefits of low fuel margins will find that in the long term the FBO won't have the money to serve their future needs."

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In that regard, Mekis said that flow control information is accessible via the FAA's air traffic control website. "By doing this, you can see where the flow controls are and if necessary delay your departure, so as not to get caught in one, which means burning more fuel."

Fuel Farms

At first glance, maintaining an in-house fuel farm seems to make sense, given that it eliminates the middleman, which imposes a mark-up that can include airport flowage fees and other taxes. But the problem is that fuel farms bring up a lot of issues and many airports restrict fueling to their tenant FBOs or dispense it themselves. Fuel farms are costly to establish and maintain, especially given the compliance and containment issues that need to be addressed. And there is the inherent environmental risk.

Consultant Larry Corbin estimated that a minimum monthly fuel volume of 10,000 gallons is needed to justify a fuel farm given the high costs of upkeep and maintenance. That, of course, implies a large fleet. Using helicopters as an example, that would mean at least eight or nine aircraft.

As a bottom line, Corbin reiterated that perhaps the best way to reduce fuel costs is to negotiate some type of discount plan with an FBO at a specific location, agreeing to purchase a predictable volume of fuel over a predictable period.



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The First Family of ORL

here are plenty of Mom and Pop FBOs in the U.S., but few like this particular Mom and Pop. Bob and Kim Showalter operate one of the best in the business, and as with most good things, their success at Orlando Executive did not happen overnight.

So far, Orlando Executive has been home to four generations of Showalters. The story begins after World War II when Bob Showalter's father, Howard, and several other family members decided they were going to teach the world to fly. They set up shop in Winter Park, Fla., and started Showalter Air Park with a few J3 Cubs, a couple of cross runway grass strips, and three small homes right across the street from the airport. Later, in the 1950s, the city of Orlando approached them with the need to start an FBO at what today is Orlando Executive, so they began operations there. In the mid-1960s, the clan loaded up the truck and moved everything over to ORL.

Fast-forward another decade. "I was 24 when we

bought the business a few years later," said Kim Showalter, zipping around in a swiveling office chair in her glass-enclosed office. "Bob had just turned 26, and we had no money. The year was 1973. And then the Arab oil embargo hit. I can remember us trying to conserve every resource we had. We had a wonderful house on a lake, and I remember us pulling the couch up in front of the fireplace and lighting the fire because we were thinking, 'We're going to save money, boy! We're not going to run the heat because we have to watch every nickel that we can.' It was a challenge."

"That really began the adventure," she said. "You had to learn from the school of hard knocks. You had to learn what to do, what works and what doesn't work, and how to do it and how not to do it. I've heard that the definition of luck is when preparedness and opportunity meet. I love that definition. It is positioning yourself to take advantage of opportunity when it strikes. That's our story."

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More than three decades later, Kim runs the FBO day to day, with Bob handling aircraft sales and management.

"Bob's strong suit has always been sales," Kim said. "Through the mid- to late-1980s into the early 1990s, we divested ourselves of a lot of our businesses," she said. "We sold the maintenance and parts department, sold the charter department, sold the flight school. One of the reasons was that in the mid-1980s, gosh, to carry all of these extremely litigious businesses, our insurance was like \$400 a day. Last year, we figured out that our insurance was \$1,000 per day, and we don't do any of those businesses any more. We just pump fuel. But at the time, that was a real deal breaker for us.

"We looked at what revenue we generated from those businesses," she said. "On a good year, we broke even in the maintenance business. We always, for whatever reason it is in aviation, have allowed our customer to think that we are negotiable. We will negotiate on fuel prices; we will negotiate on hourly rates on repairs on aircraft. You never take your car to the Cadillac dealer and say 'Now, let's talk about this.' They'd keep your car! We weren't ever that smart. We negotiated our lives away, and we decided that probably wasn't working for us. Charter? That was always hit or miss. You had good years, you had bad years, and if you were lucky it evened out and you were making a little money, but not a lot. Flight school? We thought, 'This is good because it will feed our aircraft sales

business? Well, okay, let's be realistic: How many planes can these people buy? Not that many. And so we sold off all of those businesses at one time or another, and there are vestiges of those businesses on the airport still."

So over time, the Showalters decided to specialize in traditional FBO aircraft support services with an emphasis on pumping fuel. "The money's in the fuel," she said, "but I think it's also recognizing what your strengths are. This is our strength. Our strength is the customer service that we give to the aircraft that come here. We still do some aircraft sales. Bob and my son do a lot of brokering of aircraft, and they do a lot of aircraft acquisition work for people."

A Tight, Top-Notch Team

Of course, high-performance organizations do not spring up overnight, nor do they function without a team that knows the business and each other intimately, according to Showalter.

"When I sit down at my staff meetings I have nine people in the room," she said. "The one who's been here the shortest time has been here 10 years. The one who's been here the longest? I have two people that have been here 28 years. I know these people well, and that makes a huge difference. I know Rachel, I know Rachel's mom and dad, and I know her sisters. I've known Shay, my front desk manager, since she was a teenager playing basketball with my daughter Jenny in high school. I know

Kim Showalter's 34 employees—her pride, joy, and competitive edge—are as a group irreplaceable and individually somewhat ambidextrous, learning different aspects of the organization until they find their strong suit.



her mom, and I know her children. "We have relationships internally that allow us to do things, to make decisions to support each other, to support our customer in ways that I think other companies can't," she said. "We have so much corporate knowledge in that room. For instance, I'm going to be out of the office next week. Dan will be gone, Bob will be gone, Sandy and Jenny will be gone, and Shay will be gone. That's my front desk manager, my executive VP, my customer service person, my marketing person, Bob, and me, but it's no big deal because Rachel's here and Jane's here and Brandon's here. I don't have to worry. I don't ever go to meetings alone; we travel in packs. I find that with that depth—we have so many people here who are so up to speed on the things I'm doing, whether it's lease negotiation, whether it's construction—that the organization can continue to operate without me being here all the time.

"I think when you walk in to most businesses, whether it's a conscious thing or not, you are made aware of the personality of that business," she continued. "I think we have real strong personality as a business, and I think that comes across to people. I'm pretty sure it's positive because people continue to come back. We have customers who don't deal with anybody here but Dawn in the accounting department. If they want fuel for their airplane, they'll call Dawn in the accounting department because she's who they know. Isn't that great! There is very little hierarchy here. We have no job descriptions in this company because I find them to be too limiting."

Showalter's 34 employees—her pride, joy, and competitive edge—are as a group irreplaceable and individually somewhat ambidextrous, learning different aspects of the organization until they find their strong suit, which is how she learned the FBO ropes.

"We ask people to do this all the time," she said. "You know it's a real eye-opener when you're doing other people's jobs. I worked in the maintenance department, I worked in the accounting department for six months, and I worked behind the front desk. I did all those things just to have a feeling for what we did. And then my job really settled into a human resources emphasis—hiring and firing and staff development—and then being able to fill in places where I am needed."

Hiring the right person for the right role is always a challenge, she said. "As an example, in the mid-1990s our customer service person took another job. I'm sitting with a friend having lunch one day, and he says, 'Okay, what are your issues?' and I say my issue is my customer service person's leaving and I need to get some idea of where I'm going to go to find this new person. He said, 'You already have this person,' and I said, 'No, we've pretty much looked in the company, and we don't have this person.' He said, 'I very rarely tell anybody to hire their own family when they haven't worked anywhere else, but Jenny [my daughter] is your person.' And it was as if a lightbulb went on. But I said, 'They're offering her a job at the high school.' He said, 'Why don't you see if she'll stay six months?' And she did, and then she never left. Jenny has been one of the top rated CSRs in the country for years, just very, very good at what she does."

Showalter's son Sandy followed suit, joining the family business nearly four years ago. "He does



Orlando Executive's Kim Showalter:"I think when you walk in to most businesses, whether it's a conscious thing or not, you are made aware of the personality of that business. I think we have real strong personality as a business, and I think that comes across to people."

marketing and aircraft sales and acquisition for us," Kim said. "He's fully trained on line service. On really busy days, he's out there pumping gas, or if we need him out there for any reason, he pulls shifts just like anybody else does. Brandon just signs him up and plugs him in." So the legacy continues.

As a traditional FBO, fuel sales define success, and the company tracks those sales religiously. "We view our market regionally," Kim said. "We track gallons pumped here versus other airports in central Florida and versus our competitor here in Orlando."

"We track everything," she said, pulling four-inch binders filled with charts and graphs off a shelf. She's not kidding. "These are my monthly fuel numbers," she explained, pointing to just one tab in one binder. "I have them weekly, and they go out

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to everybody in the company. These tell me the total fuel I pumped each week during a particular month. It gives me the day of the week that's my best day and my worst day. It compares it the same month of the previous year. In each one of these things I look at the number of arrivals at Orlando Executive so I can tell if the number of airplanes coming is greater than it was last year or last month or last week. I know the percentage of transient airplanes that I put fuel in every single day. That's a really important number to me. I don't want to have 70 airplanes coming a day and find out that I've pumped fuel to 27 of them. I need to know how many. I can tell you in this particular month, we



pumped fuel for 85 percent of the jets that landed. But the year before I pumped to 87 percent, so it's down 2 percent for that month. That's not worrisome because the number of arrivals was actually up by about 30 for that month. So what I'm going to say to our people is, 'Okay, we had more arrivals, but we didn't do quite as good a job selling them as we probably should have.'"

"I have the same numbers for avgas. I know how many rental cars we had, I know how many people stayed overnight, and I know how many people paid a facility fee as opposed to taking fuel," she said. They are very important binders, indeed.

By dollar volume, about 85 percent of Showalter's business is in FBO fuel sales and 15 percent is aircraft sales and consulting. "It depends on the year, and it depends on the aircraft," she said. "Some years we're selling jets, and some years it's turboprops, but it's our people who are our business, more so even than fuel or aircraft sales. Twenty years ago, we would always say, 'You know, you can teach a monkey to pump fuel.' It certainly wasn't as technical as it is now. Today it's different. Right now, our line guys, and the front desk as well, they're sales people, they're customer service people, and they technically have to be absolutely accurate. They wear three really important hats, and you can't take any of them off. We train for sales, and we talk about sales all the time. We have an all-company meeting every month, and as a company we track our fuel sales for the year. We

know how much we have to pump, how much we have to sell, and how it breaks down every month.

"But I cannot give somebody a smile, I can't give them a personality, and I can't give them an attitude that wants to help. Their work ethic is not a huge issue because if they don't have it they won't be here very long. It's not even so much that I'll do something about it; the other folks here weed them out," she said.

And occasionally, "We have to let them be successful someplace else," she added.

Does that mean that she calls them in and says "John you're a great guy, we love you to death, but it's not working out and we'll pay you through next Thursday"?

"Sure, if we have to. But understand that is not the first time John has heard that from us. John has been hearing that and either has chosen not to make the changes or is not able to make the

changes, and either one of those is not acceptable to us. As I tell everybody, we are a small business. If you cannot be or choose not to be relatively open with us, let us be part of your life, this isn't the place for you. We aren't for everybody, and I understand that. If you can't walk through this door and expect that you're going to be able to liberally use the f-word—which is 'fun'—every single day, please go someplace else where you can. Your life is too short to spend 40 hours a week not having fun. We can't be all things to all people. We have an amazingly diverse population in this company. I think the thing that we do best is allow people to work to their strengths."

Discovering and capitalizing on an individual's strengths is key to Showalter's success today, she said. "Ed is unbelievable with the customers, unbelievable! It's what Ed does best," she said. "Is his paperwork perfect? No. Can we fix it? We can, and we choose to do that. I have so many guys on the line service. I have one that we just hired as a marketing director-actually he's the director of new business because I let them pick their own titles. He was a line service person for us for five years, and Brad's thing was working our front ramp. Now he had to be able to tow, he had to be able to fuel aircraft, he had to be able to put them in the hangar, but why would I put him in a fuel truck eight hours a day when I know his best thing is making the first impression when that airplane pulls off the taxiway? It's what he does best. It's the same with most everybody here. We try hard to let them do what they do best, and I think it makes a difference in their attitude when they come to work.

"It would be no fun for me if somebody focused on my weaknesses, and God knows I have them," she continued. "There are things that I'm just no good at, and I am as aware of those as anybody. And trust me, so are these people. We try very hard to let their light shine where it does. By doing that, every single need we have as a business is found in somebody here." And so she said that over time, they have built an institution that is today's Showalter Flying Service.

"Over time—it is over time—and it's what works for us. We used to be very leery of change, of people leaving, and trying to find new people. We're not anymore. If we've done our job right when we hire someone, we'll be different because we have a new person here, but we also should be better. If we stay the same, we haven't done our best job hiring. If we're not better, we've made a mistake."

Kim Showalter's role in all this has evolved over the years into what it is today-as, in her own view, company cheerleader. "I look at my job as keeping an eye on our big picture. We talked at a recent company meeting about the fact that our focus has been distracted somewhat in the last two years given more than \$2 million in hurricane damage, building a new building, and managing the static displays at two NBAA conventions. So my job is to say where we really need to focus when we've been distracted by other things. It takes a long time to steer a ship; you have to think pretty far in advance. That's why I'm here for all of them. We're in a very good place right now, and we recognize that," she said with a smile. A

Showalters Win 2006 William Ong Memorial Award

ob and Kim Showalter received the 2006 William Ong Memorial Award at the NATA FBO Leadership Conference in March. The award is named in honor and memory of Bill Ong, NATA's co-founder and first president, and it is given for extraordinary achievement and extended meritorious service to the general aviation industry. In making the presentation, NATA President James K. Coyne noted that the Showalters had "...put aviation first to become synonymous with quality service and success achieved the old-fashioned way-they earned it. Over three decades, with Jenny and later Sandy to help out, they built a business and set a standard of performance that has impressed, well, even the experts from the Disney Institute. They have always been active as goodwill ambassadors for aviation and given back to their community along the way. Bob served as NATA's youngest chairman, just a short while ago. And the entire family has pitched in to help marshal the



static displays at a half dozen NBAA conventions in recent years. For all that you both have done for aviation and for the FBO community, we are very proud to recognize you today."



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The Aviation Industry and EPA's New SPCC Plan Requirements

By Nancy N. Young

n December 26, 2006, the U.S. Environmental Protection Agency (EPA) published in the *Federal Register* a revised final rule on the Spill Prevention, Control, and Countermeasure (SPCC) plan requirements. This revised final rule, which became effective on February 26, was a long time in coming. Ever since the EPA published its

major overhaul of the SPCC rules in 2002, various industry sectors, including the aviation industry, had challenged the new rules and EPA's interpretations of them. With the December 2006 publication, many of the aviation industry concerns were addressed. However, fixed-based operators (FBOs), airlines, and airports still face significant implementation and compliance challenges with respect to the rules—challenges that can best be overcome through an understanding of the rule provisions and careful planning.

Background on the SPCC Program

The SPCC rules date back to 1973. The rules were promulgated under Section 311 of the Clean Water Act, which provides the authority for a program to prevent, prepare for, and respond to discharges of

oil from vessels and facilities and mandates regulations establishing procedures, methods, equipment, and other requirements in this regard. In light of the broad diversity of facilities and operations covered under this statutory authority, by Executive Order and Memoranda of Agreement, various federal agencies have been given authority to promulgate the implementing rules. Despite the fact that the Department of Transportation, through the Federal Aviation Administration, has the bulk of regulatory control over on-airport operations, EPA was delegated the authority for implementing the spill prevention and response rules at airports.¹ Some would argue that this delegation spawned many of the challenges the aviation industry has faced in recent years with respect to EPA's interpretation of its rules as applied to airport operations.

In general, the SPCC regulations require that those facilities with greater than 42,000 gallons of underground storage tank capacity and/or 1,320 gallons of aboveground storage tank capacity prepare SPCC plans if those facilities could reasonably be expected to discharge oil or other petroleum products in harmful quantities to navigable waters of the U.S. or adjoining shorelines. The regulations



also specify instances in which secondary containment must be installed around oil storage containers. Given the relatively low quantities of storage capacity that trigger the SPCC rules and the fact that many airports are near water, the SPCC requirements can be applicable to the various on-airport parties that store oil for use in their operations there.²

The 2002 SPCC Rule Overhaul

Although EPA's SPCC rules were modified slightly after 1973, none of the three most substantive proposals for significant rule revisions (issued in 1991, 1993, and 1997) were finalized. Instead, in July 2002, EPA promulgated an overhauled SPCC program, picking and choosing from the previous Continued on page 50

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proposals and adding wholly new provisions as well. These rule revisions, coupled with EPA interpretations emerging at the time, raised significant concerns in the aviation industry, as several of the provisions seemed ill-suited to airport application. As a result, a coalition of aviation interests, including the Air Transport Association (ATA, representing airlines), the National Air Transportation Association (NATA, representing FBOs, including fuelers), and the American Association of Airports Executives and Airports Council International-North America (AAAE and ACI-NA, both representing airports), began working with EPA to achieve revisions to the rules and EPA's interpretations in key areas. At the same time, the American Petroleum Institute (API) and other industries were pressing their concerns through litigation and advocacy.

While the Aviation Coalition raised a myriad of concerns, the issues of greatest significance to the industry were EPA's pronouncements on mobile refuelers, motive power, and oil-filled equipment.³ The key elements of EPA's positions and of the Aviation Coalition's responses were as follows.

Mobile Refuelers

In the July 2002 SPCC program overhaul, EPA changed the previous coverage of the rules from covering "tanks" to "containers." Though EPA declared that this was a non-substantive change, EPA indicated at the same time that it believed on-airport mobile refuelers to be containers subject to the SPCC rules, dating back as far as 1973. In addition to general SPCC requirements, EPA's interpretations in this regard exposed mobile refuelers to "sized" secondary containment requirements, which would require that secondary containment be provided to cover the entire contents of the single-largest compartment of a refueler. The Aviation Coalition argued that secondary containment should not be required of mobile refuelers at all, as such containment is impracticable and unnecessary in an onairport setting, though the sized secondary containment requirement was particularly problematic.

Motive Power

In the 2002 SPCC revisions, EPA asserted that "using or consuming oil" could subject a facility or unit to SPCC jurisdiction and to the secondary containment requirements in the rules. One consequence of this was to expand the SPCC program to vehicles that use oil for motive power, including certain ground service equipment (GSE) and even aircraft. While EPA provided some relief in the July 2002 rule, declaring that only containers with a 55-gallon oil capacity or greater were covered by the rule, aircraft, on-airport deicing trucks, and certain other GSE have fuel tanks with capacities exceeding this threshold. The Aviation Coalition objected to having fuel tanks used for "motive power" covered by the SPCC rule on the grounds that it would bring innumerable units into the SPCC program, it would be impracticable to provide secondary containment for such units in the airport environment, and that such coverage is unnecessary to protect human health and the environment, as the highly regulated airport environment already is fully protective.

Oil-Filled Equipment

Another consequence of EPA's determination that use or consumption of oil could subject a facility or unit to the SPCC requirements was that, in addition to motive power, non-motive oil-filled equipment was subjected to the rules. Under the 2002 rules, such equipment was considered a "bulk storage container," subject to the sized secondary containment requirements that state that containment must be provided for the capacity of the singlelargest compartment of the equipment. Again, the Aviation Coalition objected to application of the SPCC rules to oil-filled equipment in the on-airport setting and, in particular, to the application of the sized secondary containment requirement.

Insufficiency of the "Impracticability" Provision

EPA initially was unresponsive to the Aviation Coalition's concerns, stating that the SPCC rules' impracticability exclusion provided targeted relief where warranted. This exclusion, which predates the July 2002 SPCC revisions (though it was revised at the time), provides that a particular facility or covered unit may be excluded from the secondary containment requirements if such containment is "impracticable," as long as the facility also provides

- 1. A clear demonstration in the SPCC plan that secondary containment for the particular facility is impracticable,
- 2. An oil spill contingency plan in accordance with 40 CFR Part 109, and
- 3. A "written commitment of manpower, equipment, and materials required to expeditiously control and remove any quantity of oil discharged that may be harmful."

In addition, those units considered "bulk storage containers" are required to conduct periodic integrity testing of the containers and periodic integrity and leak testing of the valves and piping to qualify for the exclusion. While this provision does provide targeted relief in certain instances, the Aviation Coalition found the impracticability exclusion did not address its broad-based concerns. Indeed, in practice, different inspectors appeared to be taking different views of what was "impracticable," making it difficult to rely on this exclusion. Also, because the provision imposes other, substantive requirements it did not provide full relief.

The December 2006 Revised Final Rule

In light of objections to the 2002 SPCC rule revisions raised by the Aviation Coalition and others and inquiries raised by members of Congress, EPA provided interpretative relief on certain issues and agreed to undertake a rulemaking to further revise the rules. Accordingly, in December 2005, EPA issued a proposed rule addressing mobile refuelers, motive power, oilfilled electrical equipment, and small facilities, among other things. NATA individually and ATA, AAAE, and ACI-NA as a group filed comments on that proposal, supporting several of the proposed revisions designed to provide relief from unduly onerous application of aspects of the SPCC provisions and suggesting further revisions where needed.

In issuing the final revised rule on December 26, 2006, EPA addressed the majority of the aviation industry concerns, taking into account the extensive comments the industry filed on the proposed rule.

Final Rule – Mobile Refuelers

EPA exempted mobile refuelers from the sized secondary containment requirements. Mobile refuelers still are subject to the "general" secondary containment requirements, which require that secondary containment be provided for the most likely spill scenario. However, in response to industry comments, EPA clarified

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that this does not necessarily require that secondary containment be permanent or deployed at all times. Instead, EPA has clarified that the availability of spill kits to address potential spills or other such "active" measures can satisfy the secondary containment requirements.

Final Rule – Motive Power

EPA exempted fuel tanks providing "motive power" from the SPCC rule. In the December 2005 proposal, EPA proposed to define "motive power" as "onboard bulk storage containers used solely to power the movement of a motor vehicle, or ancillary onboard oil-filled operational equipment used solely to facilitate its operation." In response, the aviation industry commented that this proposed definition was insufficient in that it did not appear to cover equipment with a fuel tank for motive power if that fuel tank was also used for other operative functions (for example, a deicing truck where the fuel tank powers the truck as well as the deicing mechanisms). In the final rule, EPA revised the definition so it covers "any onboard bulk storage container used primarily to power the movement of a motor vehicle or ancillary onboard oil-filled operational equipment used solely to facilitate its operation."

Final Rule – Oil-Filled Equipment

EPA excluded oil-filled equipment from the "bulk storage container" requirements of the SPCC rule, thereby exempting it from the sized secondary containment requirements. However, such equipment is still subject to the general secondary containment requirements. To further ease the application of the general requirements, the rule allows certain "qualified" facilities to avail themselves of the spill plan alternative afforded by the "impracticability" exclusion to the secondary containment requirements without having to demonstrate impracticability to employ this alternative. To qualify, a facility must not have had a spill to the waters of 1,000 gallons or greater in the prior three years nor two or more spills to the waters of 42 gallons or greater within a 12-month period over the prior three years.

Final Rule – Provisions for Small Facilities

Among the concerns raised by the aviation industry and others all along was

the onerous nature of the SPCC rules as applied to small facilities. In particular, the SPCC requirement that the plan be certified by a professional engineer proved unduly expensive for certain small entities. To address this, EPA proposed to revise the SPCC rule to allow certain small facilities to self-certify their SPCC plans, rather than having to have certification by a professional engineer provided that the facilities meet certain criteria to be "qualified" and comply with certain conditions. To qualify as a small facility under the final rule, a facility must have aggregate oil storage capacity of 10,000 gallons or less and no oil spills to the waters of 1,000 gallons or greater in the prior three years nor two or more spills to the waters of 42 gallons or greater within a 12-month period over the prior three years.

The Complexities of Implementation

In light of the concerns raised over the July 2002 SPCC rule revision, significant portions of those rules have never gone into effect. Instead, EPA has issued several extensions to the compliance dates under the rules. Currently, the applicable compliance date is October 31, 2007. However, at the same time EPA issued the revised final SPCC rules, it also proposed a further extension of the compliance dates for the remaining portions of the July 2002 rules and the recently finalized provisions. Should that proposed extension be finalized, the new compliance date will be July 1, 2009.

While the new compliance deadline seems a long way off, there are significant compliance issues still facing the aviation industry today. The first challenge is the matter of complying with the SPCC rules in force. The SPCC rules predating the July 2002 rule revisions largely remain in effect. Thus, aviation entities must still ensure compliance with applicable portions of these rules. Note, however, that care must be taken to confirm what rules are applicable at a particular facility. For the most part, this involves understanding EPA's positions on the application of the pre-2002 rules to on-airport covered facilities/units. In addition, EPA has stated that portions of the July 2002 rules that provided regulatory relief, such as the provision specifying that containers with less than 55 gallons of capacity are not covered by the SPCC rules, are effective. Thus, parsing the portions of the July 2002 rules that are effective for purposes of compliance from those that are subject to compliance extensions is critical.

The second challenge is preparing for compliance with the new portions of the rules to which compliance extensions currently apply. To the extent that some of these provisions will require secondary containment—even if only general secondary containment rather than "sized" containment—facilityspecific plans must be made to provide this, which could require significant capital outlays.

The third challenge is that the rules continue to be in flux. Indeed, EPA has indicated that further rule revisions are possible. Moreover, EPA continues to revise the "SPCC Guidance for Regional Inspectors," which it intends to be the definitive guidance document covering the rules. Staying on top of these developments will be key to ensuring cost-effective compliance for all affected industry players.

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Endnotes

- 1. Indeed, somewhat counter-intuitively, airports are considered "non-transportation-related" facilities under the Memorandum of Agreement between the various federal agencies with oil spill regulatory authority. This is because "transportation," in the spill prevention world, has been deemed to refer to the transport of oil, rather than to transport of people or goods using oil.
- 2. Facilities that store larger quantities of oil may also trigger the Facility Response Plan (FRP) rules, which, among other things, require a written commitment of manpower and resources to respond to a worst-case spill. These rules apply to facilities that have a total oil storage capacity

equal to or greater than 1 million gallons that also meet certain other enumerated conditions. Depending on storage capacity and other factors, the FRP requirements can apply to fuel farms that service airports.

3. One of the other issues raised by the Aviation Coalition was that involving loading and unloading areas. In the 2002 SPCC rule revisions, EPA broadened the extensive containment requirements previously applicable only to fuel loading "racks" and "rack area drainage" to cover virtually every area where fuel may be loaded or unloaded. (EPA did so by removing the term "rack" from the loading/unloading requirements). The Aviation Coalition objected to this change on the grounds that it vastly expanded the number and kinds of facilities subject to the more extensive requirements, although no environmental need for this expansion had been demonstrated nor the costs assessed. This issue was also subject to litigation raised by other parties. EPA settled this issue, reinstating the previous provision that limited the more extensive containment requirements to areas with loading "racks." A



- Aircraft Suitability Analysis
- Management Recruitment

NATA SMS Sets Plans for 2007

ATA SMS participants received renewal notices that include both the PLST and SMS programs and announce upcoming program offerings throughout the new year. NATA's SMS program will provide additional training on operational Risk Management, Human Factors. OSHA 10 and 30-HR courses. Accident and Incident Investigation Processes, and other topics. NATA plans to archive the current, interactive webcasts to enable participants to access them anytime to assure convenient training.

Those responding on or before

May 15 will receive a gratis NATA Safety 1st portfolio with pen, while the first 20 companies will receive a free Safety Investigation Response Kit. This professional kit, sponsored by USAIG, includes large yellow marking chalk, disposable camera, flashlight, tape measure, stopwatch, compass, and a Safety 1st portfolio with guidance documents to assist with an investigation. In the unlikely event this kit may be needed, it provides a handy ready-to-go kit.

SMS participants will continue to benefit from the latest updates and enhancements to an already great safety program throughout the year. The many benefits include continued safety advice by phone or email, SMS gap analysis guidance, continued webcast training, shared lessons on ground events, SMS workshop guidance, emergency response guidance, operational best practices, ramp communication and safety awareness training, SMS portal access, root cause analysis assistance, SMS guide updates, monthly eToolkit delivery, and PLST updates and revisions for the year.

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SMS Workshops Are Open to All

ATA planned the SMS workshops to assist participants in the development and implementation of the company's safety program. The workshops also talk about what an SMS is as well as discussing roles and responsibilities to give attendees a better understanding of what it takes to complete an all-encompassing SMS.

Pre-registration is required, and registrants must be NATA Safety 1st Management System (SMS) Ground Operations/Air Operator participants to receive the member rate. Non-SMS program participants are welcome to attend at the nonmember rate to find out more about the SMS process. Part of the registration fee for one participant may be credited toward the purchase of the NATA Safety 1st Management System for Ground Operations and/or Air Operators.

The workshops are pertinent to SMS member companies and many of the materials follow along with the program guide. Attendees are provided helpful templates and guidance to assist with manual development. The workshops supplement the ongoing monthly webcasts and provide interactive question-and-answer sessions.

New Year Brings New Perks for PLST Participants

ATA Safety 1st PLST participants received renewal notices with new offerings to help keep ramps as safe and secure as possible. The letter reminds participants that NATA's SMS has made significant differences in the way participating FBOs manage safety. There is an opportunity to join these FBOs in taking safety higher than any other safety program has. If participants sign up during the annual renewal, NATA will include the PLST renewal fee so that FBOs can take advantage of both great programs for one low price.

Additionally, Safety 1st participants who currently train, test, and certify are eligible for a special silver-framed participation plaque designed to adorn the FBO wall or countertop. The plaques are a great way to show FBO customers that their safety is taken seriously. Safety 1st participants in need of current training may train, test, and certify in 2007 to receive these professionally made plaques.

Make sure you receive the benefits of updated training materials by renewing your PLST involvement. Renewals for Safety 1st can be completed easily by fax, email, snail mail, or online at www. natasafetyfirst.org to expedite the process. Those responding on or before May 15 will receive a gratis NATA Safety 1st portfolio with pen.

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