A.A.E. CERTIFICATION: A CAREER CHANGER?

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Best Practices in FBO Management: Charter & Aircraft Management

What does your FBO need to know before pursuing a charter aircraft operation?

Which came first, the chicken or the egg? While not quite the foundation of Western philosophy as Socrates would have seen it, this simple adage may be instructive for FBOs desirous of adding a charter and aircraft management division to the company. Or, more likely, a charter and management company launching an FBO business. So which came first?

That answer is well documented, and has historic origins. In 1908, Charles Furnas, a Dayton, Ohio resident who moonlighted as a mechanic for the Wright Brothers, became the first passenger ever. Many more passengers- including paying passengers- would be flown before the first Fixed Base Operation took root. In fact, the very name Fixed Base Operation traces its origins to a time when they were not “fixed” at all, meaning they moved from town to town and provided support services and coordinated fuel for roving flyers. Regulations were few and far between, the accident rate was high and public confidence in air travel was correspondingly low. It wasn’t until 1926 that the Air Commerce Act was passed, that federal air regulations began in earnest. That same act gave rise to the term FBO.

Today, that regulatory landscape has set the stage to make charter operations- as well as air travel in general- safer than at any point in the history of air commerce and safer than any form of travel. Those same regulations have created an environment where it is much easier for a Part 135 certificate holder- a charter company- to enter into the FBO arena, than for an FBO to start a Part 135 certificate from scratch. The complexity of bringing to market a new Part 135 certificate is so recognized within the industry that FBOs interested in entering that business line are much more likely- and perhaps wise- to simply buy an existing certificate and operation from a current certificate holder.

Many charter companies themselves, keen to rapidly expand, find it more expedient to buy another charter company than add aircraft incrementally to their certificate one by one. To understand this phenomena, one must understand the requirements of creating a Part 135 Air Carrier Certificate.

Broadly speaking, the FAA divides Part 135 operators into various classes, depending on the complexity of the operation- or intended operation. This may range anywhere from a relatively simple single-pilot single-airplane Part 135 operator, to a basic operator with a handful of pilots and a handful of airplanes, to a standard operator with multiple pilots and multiple bases. While the certification process for each follows a similar pattern, the time and investment required is proportionally more difficult and costly.

Starting with an FAA Form 8400-6, a Pre-Application Statement of Intent, new applicants get the process underway. The form allows a for a general description of the proposed operation, establishes basic contact information and is submitted to the local Flight Standards District Office (FSDO) who will in turn, assign a Principal Operations Inspector (POI) – among other inspectors- to the applicant. Following this form is a pre-application meeting with the FAA and hefty document preparation- such as a letter of compliance and the creation of operations, training and maintenance program manuals for those seeking to establish a certificate with more than one pilot and one airplane. After the paperwork exercise, another form is filed for final inspection. Final inspection by the FAA includes a review of recordkeeping, a physical inspection of the aircraft for conformity, plus a review to ensure the proposed methods of continuing compliance are established. Moreover, this is by no means a complete list of the 135 certification process. It is difficult to properly underscore the time and investment required in bringing a new certificate to life.

And that- time and investment- is the rub. For an FBO embarking on bringing a new certificate to market, even a single-pilot, single-airplane Part 135 certificate, a market study should be conducted to determine a cost benefit analysis, including a projected return on investment. Thousands will be spent, and a dedicated airplane and pilot procured. As the certificate grows, personnel requirements grow with it, including the requirements for a dedicated director of operations, chief pilot and director of maintenance. Support staff such as schedulers and charter sales personnel, who are essential for operational control and growth respectively, must be added. In short, for an FBO with aspirations of a fleet of Gulfstream G650s winging their way internationally across the globe, the process is years long. While the harsh realities of an FBO creating a charter department shouldn't deter an FBO from considering such a growth strategy, the process should be undertaken with eyes wide open.

By contrast to the very federal process of starting a charter certificate, there are no federal requirements or processes to starting an FBO, save for perhaps filing for an IRS tax identification number. Because of this, many airports have wisely enacted Minimum Standards as a means to level the playing field for FBO operators. From a process standpoint then and by contrast to an FBO starting a charter department, an FBO can be established with minimal investment in time or capital. Yet, charter companies interested in starting an FBO shouldn't be lulled into thinking starting an FBO is quick or easy. While there is much less red tape than Part 135 operations, there's much more to operating an FBO than just putting gas in airplanes- so to speak.

For FBOs considering the growth strategy of adding a charter certificate to its operation, there is an easier alternative- partnering with an existing charter company. This may be done informally, including offering hangar, office and fuel at reduced rates to a subtenant charter company, brokering charter flights through an established operator, or via a more formal business arrangement altogether, such as a joint venture. And, returning to the concept of Minimum Standards for a moment, careful review of such standards often reveal that certain business lines may be met through an FBO's subtenants, as opposed to directly by the FBO. In any analysis, the relationship between an FBO and a charter company is symbiotic, complementary, and one worthy of consideration by both.

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