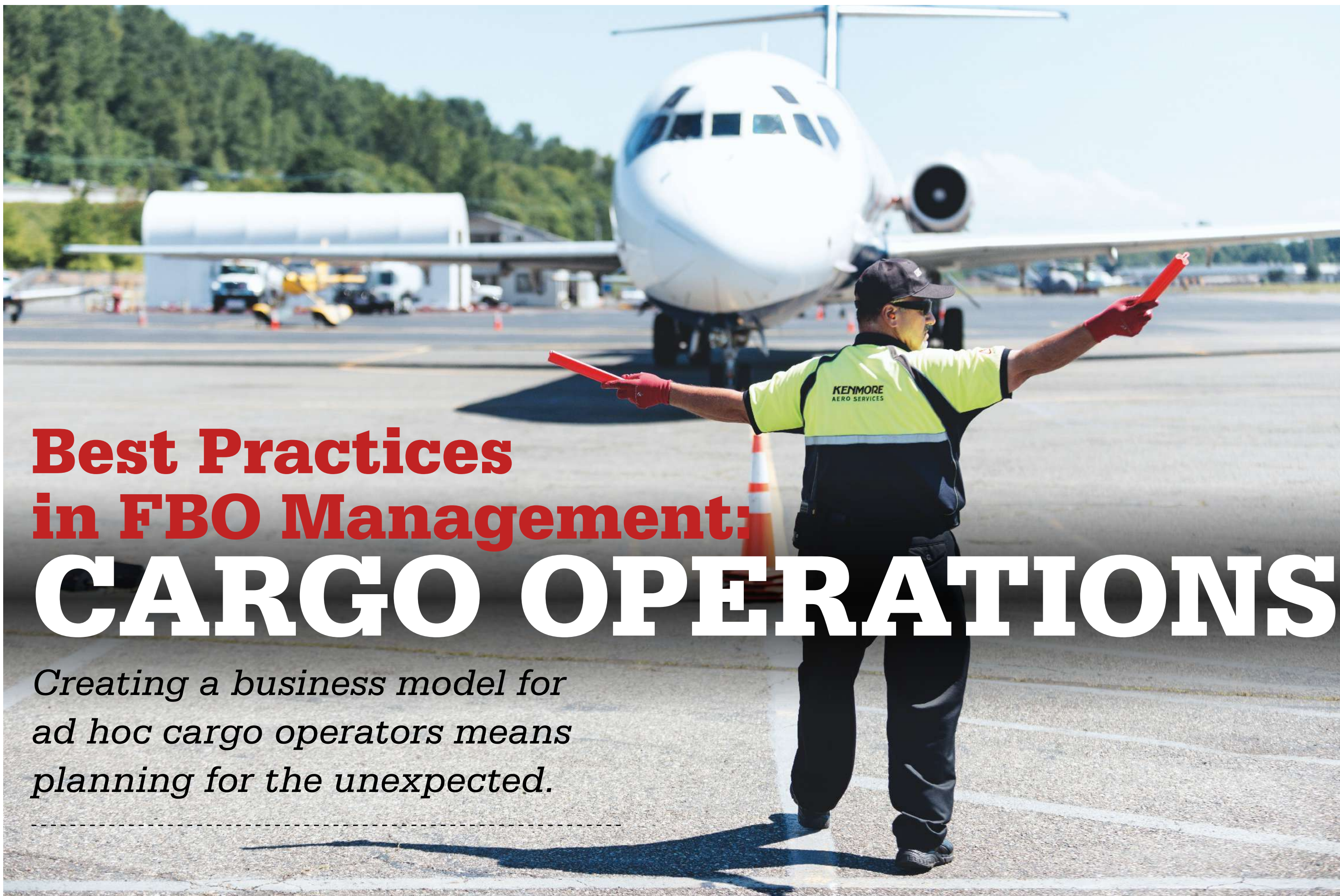
By Douglas Wilson



Best Practices in FBO Management: CARGO OPERATIONS

Creating a business model for ad hoc cargo operators means planning for the unexpected.

FBOs are the jack-of-all-trades at airports. While the majority provide essential services such as aircraft refueling and itinerant parking, full service models are still alive and well, and many serve a clientele that most of us don't give a second thought to- unless our overnight package is late- air cargo operators. Many FBOs provide aircraft refueling services to scheduled air cargo operators, that much isn't unusual. However, FBOs desirous of truly ground handling unscheduled, ad hoc air cargo have much to consider before jumping in with both feet. While ground handling fees may seem lucrative and the attendant large fuel uplift enticing, the rule of "be careful what you wish for" applies.

Whether shipping pallets of frozen fish, to delivering oversized or unusual parts to keep a busy production line going, to equine air transport, ad hoc air cargo operations are a different animal altogether. This group probably represents the smallest market segment when one considers the combined numbers of flights by scheduled air carriers such as UPS and FedEx, plus the myriad freight forwarding companies that collectively operate the hundreds of small aircraft that ply the night sky. Yet, ad hoc air cargo operations can present the most operational challenges for an FBO. Why?

First, let's begin with a compliment to the flight crews themselves. The term "freight dog" is still a badge of honor and by in large the pilot group flying ad hoc freighters are some of the nicest crews in the industry. Sent to airports they've never been to before, with zero onsite support of their company and in the middle of the night no less, they tend to be exceptionally kind-hearted and understanding of FBO personnel. To be sure, a great many once worked at an FBO. Simply put, they know your FBO has never moved the propeller shaft of a nuclear submarine at two in the morning during a snowstorm using a rented forklift- because they haven't either. The nature of ad hoc air cargo operations is just that- a curious series of first times with occasional moments that seem vaguely familiar to both flight crew and FBO alike.

In terms of challenges, investment in or resourcing proper equipment top an FBO's list to handling ad hoc air cargo. For scheduled air cargo operations, a contracted ground handler or the cargo company itself will often invest in a standard complement of equipment. Typically, that list includes a set of crew stairs, a pushback tug, proper tow bars, K-loaders or palletized cargo loaders, a belt loader and a forklift. For an FBO, that list comprises a six-figure investment. Because of the unscheduled nature of ad hoc air cargo, an FBO may only see a handful of operations a year. Or, a local contract involves a brief period of pseudo-scheduled air cargo, but it lasts perhaps a month. In either case, there is simply no Return on Investment (ROI) that creates justification for such a specialized - and speculative- equipment purchase by an FBO. Left with a business imperative to always serve the customer, but lacking the proper equipment to do so, FBOs tend to get creative.

At larger airports, FBOs are wise to execute short term equipment leases and bailment agreements with 121 carriers or other ground handlers that own or operate large fleets of Ground Support Equipment (GSE). Specialized off-airport leasing companies that allow short term equipment lease may also be of consideration. Another method employed by FBOs is simply subcontracting out the ground handling portion of an equipment offload to a qualified provider, in order to focus on the more straightforward FBO service, such as fueling and pushback only. The most common solution to the equipment conundrum though are reciprocal use agreements where an FBO and other ground service providers have the ability to use each other's GSE on an as-needed basis. In reality, these reciprocal use agreements lack any formality, and usually take the form of "borrowing" GSE and then topping off the fuel tank of that borrowed equipment as a thank you. Occasionally, a pizza is involved in such transactions. Humor aside, and while a tried-and-true practice, these informal arrangements can present significant risk if not mitigated and costly liability if not formalized. A form of risk mitigation would involve the FBO conducting and documenting annual training on vendor equipment. And, liability can at least be limited through even rudimentary written agreements. Finally on the subject of equipment, a few key pieces of equipment with wider use to the FBO may be worth consideration for a capital expenditure budget, such as a forklift and air stairs.

Proper equipment aside, there is the human element to consider- FBO personnel. A few rhetorical questions should be asked by the FBO manager before accepting the arrival. How many people are needed for the operation? And using the previous example of an off-load requiring a forklift, are they forklift qualified? If they are qualified, are they comfortable with such an unusual operation? Of note is that these answers to these questions may change if the proposed operation is in the middle of the day versus the middle of the night.

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There's still another human factor in play- one outside the FBO. There are as many charter brokers as there are actual ad hoc air cargo operators and occasionally, something might be lost in translation by brokers. It is not unusual that a charter broker will assure the FBO that the aircraft is arriving with "only a few pallets of fish" and merely requires a belt loader. Hours later- and always after the broker is fast asleep- the aircraft arrives with "new diesel motors for a fishing trawler," and needs a forklift- a big one. An FBO should consider they truly don't know what's onboard the aircraft until the cargo door opens and need to be prepared for surprises.

Finally, and once endemic to the ad hoc air cargo operator community, there remains the ugly specter of payment issues. In the not-too-distant past, the term "fly by night operator" was a double entendre. Bankruptcies were rampant and FBOs would find the vintage airliner-turned-freighter would be parking with them a very long time and its crew was nowhere to be found. In other cases, the aircraft would disappear one night, without word or warning. While the industry has improved since then, the margins for freight operators has not and remain frighteningly thin. FBOs are wise to secure payment, including a back-up form of payment for

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ground handling. When possible, fueling should be performed using a contract fuel inventory- after a fuel release has been provided.

The rewards can be many for the well-prepared FBO serving ad hoc air cargo carriers. And on reflection, not all of those rewards are financial. At least for this FBO veteran, after a well-choreographed cargo offload, there is nothing quite as satisfying as watching a sooty 727 as it climbs into the low cloud, escaping the reach of the approaching storm. At two in the morning, of course.

ABOUTTHEAUTHOR

Douglas Wilson
President & Founder, FBO Partners LLC
Douglas Wilson is the president and founder of FBO Partners LLC, an aviation consulting firm that provides asset management of hangar facilities for FBOs, and offers specialized consulting in due diligence, contract life-cycle management, and other FBO disciplines. Wilson can be reached at douglas.wilson@fbopartners.com.

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