Best US FBO
Signature MSP

Best Line Tech
Pat Walter
Signature MSP

Best CSR
Betsy Wines
Meridian TEB

PROFESSIONAL PILOT

OUR 52nd YEAR

JULY 2018 PRASE WINNERS

Best Independent US FBO
Texas Jet FTW

Best Large FBO Chain (11+)
Million Air

Best Asian FBO
Hong Kong Business Av Ctr HKG

Best Mexican FBO
Cabo San Lucas FBO CSL

Best Small FBO Chain (3-10)
Wilson Air Center

Best European FBO
TAG Farnborough Airport FAB

Best Caribbean FBO
Cherokee Aviation MHH

Best Middle East & African FBO
ExecuJet DXB

Best Latin American FBO
Aerosupport FBO BOG

Best Canadian FBO
Skyservice YYZ

POSITION & HOLD
an editorial opinion

State of the FBO industry, 2018

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***Pro Pilot* West Coast Contributor**

Though it was uttered long before the advent of the airplane, the phrase "the more things change, the more they stay the same," perfectly summarizes this year's winners of the *Pro Pilot* PRASE Survey. Many of the PRASE Survey winners in 2018 were after all, very much the same winners as in 2017. The top spot traded hands again, back to Independent FBO favorite Texas Jet at FTW, swapping places with the number 1 winner last year, Signature Flight Support MSP. One can almost envision a running joke between these 2 perennial favorite FBOs, where a friendly wager involving barbecue and lutefisk gets out of hand quickly, if not good-naturedly.

The top 10 saw 8 of the same FBOs place from the top 10 of the previous year, and among the top 25, an even split between chains and independents. A note of special recognition to small chain Wilson Air, who saw not only all their FBO locations place in this year's survey, but 3 out of 4 place in the top 10 again. And likewise, congratulations to perennial favorite Betsy Wines who may have accumulated the most wins in the CSR category in the history of the PRASE Survey.

Though awards and recognition are treasured by FBOs and their employees alike, after the photo shoots, speeches and celebrations fade into the distance, one is quickly reminded the business of operating an FBO business waits for no one. As in past years, I've enjoyed the opportunity to review notable FBO ownership changes of the prior PRASE Survey period and prognosticate on the direction of the industry overall, and this year is no different.

Texas Jet regular top winner in the PP PRASE Survey. This year they were voted Best Independent US FBO. Holly Hopkins (red blazer, below) was also a winner, earning the #2 spot for Best CSR. Inset shows Texas Jet Founder & President Reed Pigman.

Signature MSP wins the 1st place crown in the *Pro Pilot* 2018 PRASE survey. Team members L-R: Kyle Schmaltz, Peter Landis, Doug Drescher, Matthew Hall, Latricia Edwards, Zachary Larson, Traci Gustafson, Pamela King, Karen Hardiman.

Changing hands

While FBO acquisitions were predictably quiet after year-after-year record numbers, there were a few notable changes in the industry, most recently BBA's announcement of their intent to acquire Epic Aviation, an aviation fuel supplier – subject to DOJ approval. While vertical integration is not a new phenomenon in the aviation industry, it often takes a more recognizable form of a fuel supplier acting as a holding company of sorts, purchasing a trip planning service, a credit card processing firm or a contract fuel company. In this case, parent company BBA owns several aviation businesses already, such as Dallas Airmotive, Ontic and, most notably, Signature Flight Support. To say BBA's concentration leans more towards the FBO side of the house, however, is an understatement, as Signature alone accounts for some 69% of all of BBA's revenue, according to the most recent annual report. The addition of Epic Aviation brings with it a fuel supply stream to some 205 independently-owned FBOs, opening the door to a host of other services and opportunities yet to be imagined. And, while some bristle at the thought of the big getting bigger, one must be reminded growth is a business imperative.

In other FBO acquisition news, Orion Jet Center in OPF (Opa Locka FL) and JetSource in CRQ (Carlsbad CA) became Atlantic Aviation locations, while both Ross and Lynx each added a location, with the former picking up Alaska AeroFuel (Fairbanks AK) and the latter adding Fly Arkansas in Little Rock to its growing roster. A newcomer in the growing list of mini-chain start-ups entered the ring as well this season, with Air Wilmington being acquired by Modern Aviation, a new chain backed by private equity group Tiger Infrastructure Partners.

Wilson Air Center traces its hospitality roots back to the same Wilson family that founded the Holiday Inn hotels. All of their locations made it into the top 25 of this year's PRASE Survey. Pictured at right is CEO Robert Wilson.

The leadership gap

In terms of FBO industry prognostications, this year's predications admittedly strike a more alarmist tone than in past years. The cockpit equivalent of the Master Caution is now illuminated for the FBO industry, and the answer isn't in the QRH, because the situation has never occurred before. In short, FBOs are facing a leadership gap of epic proportions, and it's about to get much worse.

Contextualized, the leadership gap in the FBO industry is the lack of qualified applicants for the general manager (GM) role across the country, as well as those for second tier supporting roles such as assistant general managers, station managers, line managers, and the like. In the time between the release of the PRASE Survey results in the May edition and this edition, a perfunctory search of job sites revealed some 15 plus GM jobs across the country either came open, or remain vacant at major airports. If 15 vacant positions seems small, consider that another 10 second tier management roles also remain unfilled. In some cases both key leadership positions at a single FBO are empty. More concerning is that these 25 or so top tier vacant management positions are at the top 100 airports in the US by GA operations, enplanements, Jet A gallons, or virtually any similar metric. Said another way, one quarter of every major airport in the US has or had a vacant managerial position at the FBO in the last 60 days.

How did we get here?

It's easy to look at the recent jobs report number published by the Bureau of Labor and Statistics (BLS) and find the unemployment rate was 3.8% in May, the lowest unemployment rate since 1969. One might reasonably conclude the whole country is facing a shortfall of available employees, which on the surface, is accurate. However, such a conclusion fails to consider the precipice on which the FBO industry is teetering. While the larger employment numbers trace some of their macroeconomic roots to those shared by other segments of aviation, namely airlines and MROs, microeconomic factors are what set them apart.

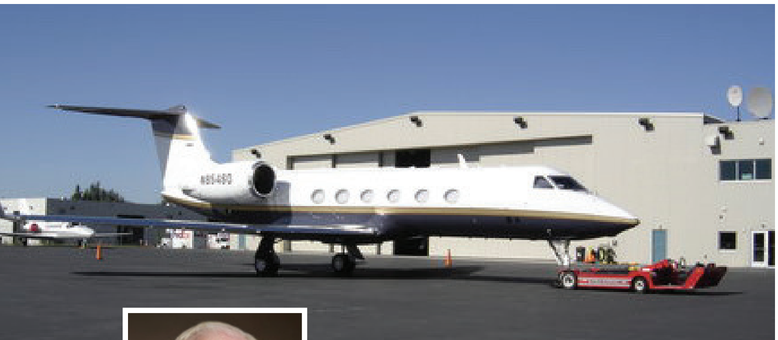
Not a surprise to most, generational forces are rapidly approaching a peak moment in history. The baby boomers (born between 1946 and 1964) have been retiring from the workforce for years now, at an ever accelerating pace. This much is known. But like an onion, there are many layers, and the layer marked by the year 1957 is rather telling if one considers it in context of related statistics.

First, the aviation industry is historically a male-dominated industry, and 2017 FAA airmen data bears this out. Today, a mere 7% of all certificated pilots in the US are female. If one considers the ATP rating only, the representative female pilot population is even less, at only 4.3%. This tragically underrepresents women by contrast to the general US workforce and is especially frustrating to this author who is the proud father of 2 daughters, and whose wife is an ATP. Yet for the purposes of this leadership gap study, it's important to note because some of the earnings data that follows was purposefully selected as male-centric due only to the disproportionate representation of males in the aviation industry.

According to *PayScale.com*, a firm which tracks compensation by a multitude of demographics, the year in which a male worker earns the most is age 49, statistically speaking. For women, the peak earning year is age 40. After the peak, a male worker in the US can expect relatively stable income between age 50 and age 61. Regardless of male or female, all workers statistically see a drop in income at age 62 – though it's more pronounced in men. And then, the following year, both hit the average age of retirement in the US, age 63, according to the US Census Bureau. This is not to suggest that these ages are hard and fast rules, but they bear fruit statistically when considering a large populace or data set. And there is no such larger populace or data set than the year 1957.

The baby boomer population is represented by a classic bell curve of birth rate and births, and there were never more babies born in the US than in 1957 – before or since – except, interestingly, in 2017. In 1957, 4.3 million babies were born. As those boomers entered the workplace, they would have enjoyed peak earnings in 2006 at age 49 and enjoyed relative job and earnings stability for another 10 years. This year, they are 61, the last year before pay drops significantly, and only 2 years from average retirement. By 2022, at age 65, those baby boomers will have mostly retired.

Certainly another generation is always there to take the reins of the previous generation, no? While the simple answer is yes, the devil is always in the details. The generation entering their prime earning years now is the Generation X, comprised by those born between 1965 and 1979, according to Pew Research. By 2022, a new crop of those in their prime earning year – those born in 1973 – will be there to replace those born in 1957. Except, that's where the devil turned up because 1973 saw the lowest number of births in any year since World War II. As birthrates tend to follow boom and bust years, the oil crisis of 1973 did America no favors, caused massive instability and families concerned by that instability deferred having children. So much so that the year 1973 kicked off a 4-year window of the lowest birthrates in the modern era. Comparing 1973 to 1957 for example, show some 1.2 million fewer children born, or 27% less than in 1957. This is about one quarter less humans, which curiously mirrors the FBO leadership vacancy percentage at the top 100 airports today.



Alaska AeroFuel (Fairbanks AK) was acquired by Ross Aviation, which also acquired AirFlite Toyota in Long Beach in late 2016. The previous iteration of Ross Aviation's then 20-location chain traded hands to Landmark Aviation in 2014. At left is Jeff Ross, CEO of Ross Aviation.

Continuing to grow their network, Atlantic Aviation purchased independent Orion Jet Center in 2017, which was a relative newcomer that opened in 2009 at OPF (Opa Locka FL). Picture shows GM Joe Therrien.

While interesting on the macroeconomic level, this massive retirement wave plays a clear role in the pilot and mechanic shortage as well. Similar, well-publicized studies show the scope of the problem in the pilot shortage. A Boeing forecast in 2017 pegs the need for pilots at 637,000 over the next 20 years based upon mandatory retirements and a projected market demand for 41,000 airliners during that same time period. As Part 121 air carriers are now mandated to have ATP-rated pilots, those 637,000 new aviators by definition then are ATPs. To meet that demand, some 87 ATPs will need to be issued every day for the next 20 years. On a yearly basis, that's 31,755 new ATPs. Yet last year, a mere 25,172 ATP ratings were issued – a 21% shortfall. Again, nearly a quarter shortfall. Does it sound familiar yet?

How do airmen statistics have anything to do with FBO manager vacancies? Ask an FBO manager. Simply put, a reflection by any FBO manager of his or her current workforce will reveal a statistically significant number of pilots in training now working as line service technicians or customer service representatives than say, pilots in training that one might find at the local grocery store. FBO employees know that by working at an FBO, every customer is a potential future employer. It's aviation networking at its finest. And for several reasons, FBO employees are choosing pilot jobs over FBO-related management jobs, thus widening the FBO leadership gap each year.

The law of unintended consequences

In addition to macroeconomic forces that laid the ground work, the law of unintended consequences means the industry itself also bears a certain amount of responsibility for the leadership gap. Returning to 2006, the year the most boomers turned 49 and incomes peaked, another phenomena occurred coincidentally – the great FBO industry consolidation began and lasted 10 years. That 10-year period between 2006 and 2016 saw no less than 120 transactions where some 418 FBOs changed hands.

Although that number seems inflated, it isn't, as in many cases the same FBO transacted 2 or 3 times – or more. The result was completely unintended, but catastrophic. Over the course of 10 years, more than 400 GMs went home to their families, and at the dinner table one evening, carefully explained that their FBO was being acquired. No doubt the response from a worried spouse or partner was singular: "Will the new ownership group keep you as GM?" In some cases, the same family had that same stressful conversation around the dinner table 3 times in as many years.

The stage had been set. Even if the GM was retained in a transaction, acquisitions served as a subtle reminder of the fragile nature of employment in the FBO industry as one moves higher up the pyramid. As a result, the GM position began to lose its luster. What was once a stable, family-wage career position that rewarded entrepreneurial spirit, has at some FBOs taken on the look of a role more befitting a temporary steward of the business. It's human nature to crave stability. Actually, it is a hard-wired survival instinct. So for FBO employees coming up through the ranks – those who watched the GM role gradually become a revolving door – any desire to move into that position themselves vanished in favor of the illusive but all-important need for stability.

In the next few years it won't be a lack of interested private equity firms that stymies FBO industry growth. It will be a lack of available leaders to run these newly acquired businesses. As 2019 approaches, the FBO industry is wise to implement *ab initio* (from the beginning) style training programs to fill the growing leadership gap. Emblematic of such initiatives on a company level is Signature Flight Support's new Manager in Training Program, which offers qualified candidates a path to the GM role in as little as 18 months. NATA has also recognized the problem and work is apace on a Certified FBO Manager program, which will be available to all NATA member FBOs. Be it home grown initiatives such as Signature's or an industry-affiliated management development program, leadership training will be as important to the industry's growth and sustainability as the next acquisition – perhaps even more so.

Douglas Wilson started as a lineman at JGG (Williamsburg VA). An active pilot, he now serves as president of FBO Partners, an aviation consultancy providing business management advisory services to fixed base operations.