

Contents

List of Figures, xiii

Preface, xv

About the Authors, xvi

Chapter 1 ➔ The Role of the General Aviation Service Center or “Fixed-Base Operator” in the National Aviation System, I

Objectives, 1

Introduction, 1

Terminology, 1

Scope of Book, 2

Aviation’s Early Economic History, 2

Aviation Pioneers and Economic
Milestones, 2

The Jet Engine: New Horizons, 3

Rotorcraft: New Functions, 4

Tiltrotor, 4

The Full Circle: Ultralights and
Homebuilts, 4

Market Changes of Recent Decades and Their Implications for Aviation, 5

1990s Onward—New Wealth, 5

Security and Terrorism, 5

The World Wide Web, 5

Globalization of the Market, 5

Airline Deregulation, 6

General Aviation Revitalization Act of 1994
(GARA), 6

The “Revenue Diversion” Issue, 7

Threat of Airport Closures, 8

Airport Improvement Funding, 8

Fractional Aircraft Ownership, 8

NASA’s Involvement in General Aviation, 8

Transportation Security Administration, 9

Revolution in Avionics Technology, 9

Components of the Modern Aviation Industry, 9

Summary, 9

Pilots, 9

Other Aviation Support Personnel, 9

The Airport System, 10

The Air Navigation System, 11

Aviation Manufacturers, 11

Scheduled Air Carriers, 12

General Aviation, 12

Aviation Industry Groups, 13

Aviation Regulation, 16

Introduction, 16

Federal Aviation Administration (FAA), 17

National Transport Safety Board (NTSB), 17

Transportation Security Administration
(TSA), 17

Fixed-Base Operators, 18

Fixed-Base Operators: Their Role, 18

Scale and Prospects of the Industry, 19

Airport Management, 19

FBO Industry Trends and Issues, 19

Maturity and Professionalism, 19

Public Awareness, 20

Technical Issues, 22

Conclusion, 22

Summary, 22

Discussion Topics, 23

Endnotes, 23

Chapter 2 ➔ Management Functions, 25

Objectives, 25

Introduction, 25

The Four Traditional Functions of
Management, 25

Common Managerial Errors and How to Address Them, 27

1. Failure to Anticipate Industry Trends, 27
2. Lack of Priorities, 27
3. Indecisiveness and Lack of Systems, 27
4. Poor Time Management, 27
5. Poor Communication Skills, 28
6. Lack of Personal Accountability and Ethics, 28
7. Failure to Develop, Train, and Acknowledge People, 28
8. Failure to Support Company Policy in Public, 28
9. Failure to Acknowledge and Accommodate People's Workstyles, 28
10. Failure to Focus on Profit, 28
11. Failure to Recognize the Needs People Fulfill by Working, 29
12. Failure to Establish and Adhere to Standards, 29

Planning and Organizing, 29

- The Need for a Business Plan, 29
- Business Plan Outline, 30

Directing, Coordinating, and Controlling, 34

- Managing, Versus Doing, 34
- Style of Problem-Solving and Delegation, 35
- Leadership Styles, 36
- Objectives of Delegation, 37
- Managerial Control, 37
- Choosing the Areas to Delegate, 38
- Dos and Don'ts of Delegation, 38

The Decision-Making Process, 38

- Decision-Making Tools, 40
- Decide Something!, 40

Time Management, 42

- Sources of Time-Management Problems, 42
- Time Management Strategies, 42

Business Ethics, 44

Summary, 45

Discussion Topics, 46

Endnotes, 46

Chapter 3 ➔ Marketing, 49

Objectives, 49

Introduction, 49

- The Need for Marketing in Aviation, 49
- Marketing Orientation, 50

Definition of Marketing, 50

- Natural Segmentation of Aviation Markets, 51
- Market Research, 52
- The Nature of Aviation Market Research, 52

National Trends That May Affect General Aviation, 52

- Introduction, 52
- Terrorism and Its Aftermath, 52
- Fractional Aircraft Ownership, 53
- Encouraging New Pilots, 55
- Sport Pilot Certificate, 55
- Airport Closures, 55
- Technology, 55
- Tort Reform, 55

Sources of Aviation Forecasts and Market Projections, 56

Understanding the Local Aviation Market, 62

- Forecasting Techniques and the Individual General Aviation Business, 62
- Customer Needs and Identification of New Prospects, 65

Product and Service Definition, 66

- Total Product, 66
- Product Classification, 66
- The Competition, 67
- Market Niche, 67
- Price, 67
- Elasticity, 69
- Pricing Policy, 71
- Place, 72
- Distribution Systems, 72
- Promotion, 72
- Sales, 76
- Collecting, 77

Marketing Controls, 77

- Marketing Plan, 77
- Contribution Analysis, 77
- Performance Evaluation, 78
- Quality Control, 78
- Budgeting, 78
- Information Systems, 78
- Integrated Marketing, 78

Marketing the Airport, 78

Discussion Topics, 79**Summary, 80****Endnotes, 80****Chapter 4 ➔ Profits, Cash Flow, and Financing, 81****Objectives, 81****Introduction, 81**

Historic Context, 81

Profit and Cash Flow Today, 82

Definitions of Profit, 82

Reward for Effort, 82

Reward for Risk, 82

Return on Investment, 82

Profit to Sales Ratio, 83

Profit Objectives, 83

Profit Maximization, 83

Satisfactory Profit, 83

Non-Monetary Profit, 83

Hobby/Business, 83

Social Responsibility, 83

Profit Levels, 84

FBO Reports, 84

What Is Your Profit?, 84

Realizing Profit, 85

Profit Orientation, 85

Cost Control, 85

Planning, 85

Marketing Orientation, 85

Information System Design, 85

Records, 85

Depreciation Practices, 86

Inventory, 86

Bad Debts, 86

Managerial Decisions, 86

Cash Flow, 86

Setting Your Cash Flow and Profit Goals, 86**Part 1—Planning for Positive Cash Flow, 86**

Forecasting Sales and Revenues, 86

Forecasting Expenses, 87

Month-by-Month Cash Flow Analysis, 87

Improving the Cash Position, 88

Part 2—Planning for Profits, 89

Profit Objectives, 89

Break-Even Analysis, 89

Profitability Variations among Product Lines, 91

Profit Centers, 91

Profit and Loss Statement/Income Statement, 92

Balance Sheet, 92

Part 3—Budgeting, 92

Introduction, 92

Aviation Budget Development, 94

Steps in Budget Development, 95

Budget Operation and Control, 103

Part 4—Other Considerations, 105

Tax Planning, 105

Competition, 105

Retained Earnings, 105

New Revenue Sources, 105

Financing, 105

Types of Money, 105

Sources of Money, 105

Credit Management, 106

Nature and Reason for Credit, 106

Creating a Credit Policy, 107

Functions of Credit Management, 108

Credit Process, 108

Terms and Definitions, 112

Cash or Credit Card?, 112

Discussion Topics, 113**Summary, 113****Endnotes, 113****Chapter 5 ➔ Human Resources, 115****Objectives, 115****Pipeline Concept, 115**

Control Points, 116

Scope of Chapter 5, 116

Aviation Industry Trends, 117

Labor Market Trends in Aviation, 117

Industry Maturity and Professionalism, 121

Identifying Human Resource Needs, 121

The Human Resources Component of the Business Plan, 121

Permanent or Temporary Needs, 122

Skills Required, 122

Job Descriptions and Specifications, 122

Special Activities, 124

Laws and Regulations, 124

- Introduction, 124
- Employment Discrimination, 126
- Workplace Safety, 127
- Workers Compensation: An Overview, 128
- Comparable Worth, 129
- Payroll Taxes and Deductions, 129
- Employee Access to Records and Fair Information Practices, 129

Recruiting Qualified Candidates, 130

- Industry Contacts, 130
- Recruiters, 130
- Employment Agencies, 130
- Colleges and Trade Schools, 131
- Advertising, 131

Selecting Employees, 131

- Preliminary Screening, 132
- The Application Form, 132
- The Interview, 132
- Testing and Investigation, 139
- Background and References, 141
- The Physical Examination, 143
- The Job Offer, 143

Orientation and Training, 143

- New Employees, 143
- Training, 144

Communicating, 146

- Basic Elements, 146
- Barriers to Effective Communication, 147
- Verbal and Non-Verbal Communications, 147
- Improving Communications, 148

Motivating, 149

- Array of Needs, 149
- Needs Satisfied by Working, 150
- Creating a Motivating Environment, 151
- Leadership, 152

Evaluating Employees, 152

- Promoting Employees, 153

Compensation Systems, 157

- Job Evaluation, 157
- Fringe Benefits, 157
- Administration of the Total Compensation Plan, 158

Disciplinary Problems, 158

- Conflict Resolution, 158

- Administering Discipline, 158
- The “Red-Hot Stove” Rule, 159
- The Troubled Worker, 160

Separation, 160

Personnel Policy Manual, 162

- Manual Style, 162
- Personnel Records, 162

Employee Organizations, 162

- Impact on Management, 163

Summary, 164

Discussion Topics, 164

Endnotes, 164

Chapter 6 ➔ Organization and Administration, 167

Objectives, 167

Introduction, 167

- Goals and Objectives, 168
- General, 168
- Financial Practices, 168
- Personnel, 168
- Physical Assets, 168
- Selecting Information, 169
- Routine-ize the Routine, 169

A World of Change, 169

Legal Structure, 169

- Sole Proprietorship, 170
- Partnership, 170
- Corporation, 171
- Principles of Internal Organization, 172
- The Rational Model vs. Some New Approaches, 172
- Explicit Corporate Philosophy, 173
- Organizational Culture, 173
- Specialization and Job Rotation, 173
- Decentralization and Decisions by Consensus, 174
- Management by Walking Around, 175
- Management by Results, 175
- Span of Control, 175
- Effective Work Groups and Teams, 176
- Staff Support, 176
- Human Factors, 177
- New Approaches to Organization, 178

Communications Technology for Internal Organization, 179

Internal Structure Design, 179

Formal Internal Structure, 180
 Functional or Matrix Management, 180
 Line Organization, 180
 Line and Staff Organization, 181
 Informal Internal Structures, 181
 Quality Circles, 184
 Task Forces, 184
 Social Structures, 184
 Other Networks, 184

External Pressures on Choices of Structure, 184

Industry Norms, 184
 Government and Regulatory Influences on Organizational Structure, 185
 Practical Applications Guidelines, 185
 Problems, 186

The Organization Manual, 186

Manual Outline, 186

Discussion Topics, 187

Summary, 187

Endnotes, 187

Chapter 7 → Management Information Systems, 189

Objectives, 189

Introduction, 189

Industry Changes—Franchises and Computerization, 189

System Purposes, 191

Financial Survival, 191
 Performance Monitoring and Improvement, 192
 Special Reports, 192
 Taxes and Legal Obligations, 193
 Checks on Reality, 193

System Processes, 193

Integrated Flow, 193
 Requirements of an Effective System, 193
 First Steps, 193

Aviation Management Information Systems, 195

Human Resources, 195

Financial, 196

Material, 196

Aviation Operations, 196

Legal and Tax Information, 199

Market Information, 199

Technological Information, 199

Analyzing Business Activity, 200

General Procedure, 200

Analyzing the Business as a Whole, 200

Management Audit, 202

Analyzing Departmental Activity, 202

Introduction, 202

Taking Action, 206

Records and Record-Keeping, 207

Records Design, 208

Correspondence, 208

Records Management, 209

Communications, 213

Duplicating Information, 214

Aviation Accounting, 214

Accounting Flow, 215

Source Documents, 215

Journals, 215

General Ledger, 216

Financial Statements, 218

Accounting Activity Flow Chart, 218

Accounting System, 218

Profit Center Accounting, 219

Information System Tools, 222

Introduction, 222

Desktop Computers, 222

Selecting the Right Functionality, 223

Computer Selection

Considerations, 223

FBO Management

Software Choices, 223

Computer Service Bureaus, 225

Other Devices, 226

Business Security, 226

Confidentiality and Control of Information, 226

Types of Losses, 226

Methods of Combating Losses, 227

Summary, 227

Discussion Topics, 227

Endnotes, 228

Chapter 8 ➔ Operations: Flight Line and Front Desk, 229

Objectives, 229

Introduction, 229

Customer Service, 230

Staying Up to Date, 230

Technological Change, 230

Facility Appearance, 230

Flight Line, 230

Line Layout, 231

Line Operations, 232

Line Administration, 234

Training Line Personnel, 238

Service Array and Profitability, 239

Fueling, 240

Trends in Use of Alternative Fuels, 240

Self-Fueling, 240

Front Desk, 241

Procedures, 241

Staying Close to the Customer, 242

Related Services, 243

Flight Planning and Services, 243

FAA Weather Services, 243

Weather Information Systems, 244

Other Pilot and Passenger Services, 244

Summary, 244

Discussion Topics, 245

Endnotes, 245

Chapter 9 ➔ Flight Operations, 247

Objectives, 247

Introduction, 247

Types of Flights, 247

Market Trends, 248

System Issues Affecting Flight Operations,
248

Choosing What Services to Offer, 254

Organization, 255

Air Transportation, 255

Benefits, 255

Charter and Air Taxi, 256

Aircraft Rental, 257

Fractional Aircraft, 257

Aircrew and Ferry Services, 258

Air Cargo, 258

Air Ambulance/Medical Evacuation, 259

Other Commercial Flight Operations, 259

Aerial Patrol, 259

Aerial Application, 260

Aerial Advertising, 263

Fish Spotting, 263

Aerial Photography, 263

Flight Instruction, 263

The Changing Market, 263

Training Programs, 263

Instruction Administration, 265

Flight Instructors, 266

Instructor Training, 268

Freelance Instructors, 268

Simulator/FTD Usage, 268

Sport and Recreational Flyers, 269

Gliders and Sailplanes, 269

Parachuting, 269

Ultralights, 269

Experimental and Home-Built Aircraft, 270

Balloons, 270

Rotorcraft, 270

Sight-Seeing, 271

Aircraft Sales, 271

New Aircraft, 271

Used Aircraft, 271

Brokerage, 272

Demonstration Flights, 272

Flight Operations Manual, 272

Discussion Topics, 272

Summary, 273

Endnotes, 273

Chapter 10 ➔ Aviation Maintenance, 275

Objectives, 275

Introduction, 275

Goals of the Maintenance Shop, 275

Changing Issues, 276

Maintenance Activity, 278

Overview, 278

Organization, 279

Certification, 280

Personnel, 283

Qualifications, 283

Training, 283	
Certification, 285	
Capabilities and Limitations, 285	
Inspection Authorization, 285	
Repairmen, 286	
Facilities and Equipment, 286	
Overview, 286	
Managerial Concerns, 287	
Parts and Supplies, 287	
Inventory Control, 287	
Quality Control, 290	
Training, 291	
Checklists, 292	
Inspection, 292	
Recognition, 292	
Balance, 292	
Competition, 292	
Nonexclusive Rights, 292	
Referrals, 296	
Outsourcing, 296	
“Through-the-Fence” Operations, 296	
Tailgate, Shade Tree and Gypsy Mechanics, 297	
Corporate and Other Self-Maintenance, 297	
Administration, 297	
Flat-Rate Pricing, 298	
Computer-Assisted Maintenance, 304	
Profitability, 304	
Information, 304	
Analysis, 305	
Control, 307	
Techniques, 307	
Professional Maintenance Organizations, 308	
Avionics Repair Stations, 309	
Summary, 309	
Discussion Topics, 310	
Endnotes, 310	

Chapter 11 → Safety, Security and Liability, 311

Objectives, 311

Introduction, 311

The Need for Risk Management Procedures, 312

Interaction of Safety, Security, and Liability, 312

Risk Exposure, 312

Normal Business Exposure, 312

Aviation Risk Exposure, 312

Risk Reduction, 313

Normal Risk Reduction, 313

Aviation Risk Reduction, 316

Aviation Safety and Security Regulations and Guidelines, 317

Airport Risk Audit, 317

Procedures Manual, 317

Documentation, 317

Inclement Weather, 318

Risk Transfer, 318

Principles of Insurance, 318

Insurance Regulations, 318

The U.S. Insurance Market, 318

Normal Business Insurance, 319

Special Aviation Coverages, 322

Aviation Tenant-Landlord Agreement, 325

Selection of Aviation Insurance, 325

Selection of Aviation Insurer, 326

Accident Policy and Procedures, 326

Federal Reporting Requirements, 326

State and Local Reporting Requirements, 329

Aircraft Rescue and Firefighting (ARFF)

Procedures, 329

Search and Rescue, 329

Aviation Security, 330

Flight Security, 330

Summary, 331

Discussion Topics, 332

Endnotes, 332

Chapter 12 → Physical Facilities, 333

Objectives, 333

Introduction, 333

The Four Levels of Airport Service Business

Involvement in Physical Facilities, 334

The National Airport Hierarchy, 334

The Airport System, 334

The Airspace System, 336

Public Airport Organizational Structure, 336

The Airport's Wider Environment, 337

Overview, 337

How FAA Handles Aviation Noise, 337

FAR Parts 150 and 161, 338

Facilities on the Airport, 338

Introduction, 338

The Airport Master Plan and ALP, 339

Participation by Airport Businesses in

Airport Policy and Planning, 340

Private Airports, 340

Airport Revenue Planning, 341

The FBO's Own Facilities, 342

Data Collection, 342

Planning a New Airport, 342

Facility Expansion, 342

Preventive Maintenance, 343

Scheduled Replacement of Plant and

Equipment, 343

Zoning and Other Local Controls, 343

Environmental Compliance, 344

Leases, 344

Competition with Other FBOs, 357

Threats to the General Aviation Physical System, 358

Lack of Appreciation of GA's Role, 358

Airspace Restrictions, 358

Noise and Operating Restrictions, 359

Airport Closures, 359

Disappearance of Private Airports and Back
Country Strips, 359

Siting New and Expanded Facilities, 360

Lack of Suitable Land Use Controls, 361

Bird Strike Threat, 361

Revenue Diversion, 362

Inadequate General Aviation Funding, 362

New Initiatives and Opportunities, 364

Noise Abatement Programs, 364

Continuous Noise Abatement Strategy, 364

Economic Benefits Studies, 365

Airport Privatization Program, 365

NASA Small Aircraft Program, 366

Airport and Aviation System Planning, 366

Discussion Topics, 367

Summary, 367

Endnotes, 367

Index, 369

List of Figures

- 1.1 General Aviation Aircraft Shipments, 12
- 1.2 U.S. Civil Aircraft Fleet, 2000 to 2034, 13
- 1.3 Thousands of Aviation Hours Flown, FY 2000 to 2034, 14
- 1.4 A Taxonomy of General Aviation Flying, 15
- 1.5 Expanded Market for Flying, 20
- 2.1 Business Plan Outline, 31
- 2.2 Managing Versus Doing, 35
- 2.3 Dos and Don'ts of Delegation, 39
- 2.4 Practical Decision Tools for the Aviation Manager, 41
- 2.5 Meeting Management, 45
- 3.1 Typical Marketing Department, 51
- 3.2 Sport Pilot Certificate, 56
- 3.3 An Alternative View of GARA, 57
- 3.4 Active GA Fleet, 2007, 58
- 3.5 GA Flight Hours, 2007, 58
- 3.6 FAA's Assessment of General Aviation Trends through 2025, 59
- 3.7 Aircraft Utilization Assumptions through 2025, 59
- 3.8 Active Pilots by Type of Certificate, 60
- 3.9 Factors Affecting Future GA Trends, 60
- 3.10 Example of Data Provided in FAA Terminal Area Forecasts, 61
- 3.11 General Aviation Publications, 63
- 3.12 Industry Market Research and Sales Planning Process, 63
- 3.13 Shape of Typical Fuel Cost Curves when Average Variable Cost Is Assumed Constant, 68
- 3.14 Demand Curve for Aviation Fuel, 69
- 3.15 Supply Curve for Aviation Fuel, 70
- 3.16 Equilibrium of Supply and Demand for Aviation Fuel, 70
- 3.17 Four Basic Channels of Distribution, 73
- 3.18 Promotion Planning Chart for a General Aviation Organization, 74
- 4.1 Monthly Cash Flow Chart, 88
- 4.2 Break-Even Chart, 89
- 4.3 Income Statement, 92
- 4.4 Balance Sheet, 93
- 4.5 Annual Sales Budget Worksheet, 97
- 4.6 Monthly Budget Report, 98
- 4.7 Combined Annual and Monthly Purchases Budget Worksheet, 100
- 4.8 Expense Budget Worksheet, 101
- 4.9 Budget Worksheet Used to Formulate Complete Budget, 102
- 4.10 Cash Budget Worksheet, 104
- 4.11 Sample Credit Policy, 107
- 4.12 Credit Application Form Available to Piper Aircraft Dealers, 109
- 4.13 Credit Check Form, 111
- 5.1 Human Resource Pipeline, 116
- 5.2 Tasks Required in FBO Positions, 123
- 5.3 Skills Required of Various FBO Positions, 124
- 5.4 Training Required for Aviation Maintenance Positions, 125
- 5.5 Job Description Format, 133
- 5.6 Screening Guide to Assist in Hiring Review, 134
- 5.7 Application for Instructor Position, 135
- 5.8 Twelve Steps to Assessing a Job Candidate's Suitability, 141

- 5.9 Telephone Reference Check Guide, 142
- 5.10 Model of the Communication Process, 146
- 5.11 Maslow's Hierarchy of Needs: Two Views, 149
- 5.12 Sample Performance Appraisal, 153
- 5.13 21 Steps to Resolving Disputes, 159
- 5.14 Exit Interview Form to Be Used with the Departure of Each Employee, 161
- 5.15 Personnel Forms and Records, 163
- 6.1 Key Characteristics of a Group, 177
- 6.2 Functional or Matrix Organization, 180
- 6.3 Line Organization, 181
- 6.4 Line-Staff Organization, 182
- 7.1 Fuel Sales by Type by Customer, 194
- 7.2 Human Resource Data Needs, 195
- 7.3 Cash Data Needs of an Organization, 196
- 7.4 Summary of Business Assets, 196
- 7.5 Sample Physical Inventory Worksheet, 197
- 7.6 Aviation Operations Data, 199
- 7.7 General Ledger Standard Income Report, 204
- 7.8 Management Analysis and Action, 207
- 7.9 Information Cycle, 207
- 7.10 Information System Activity Flow Chart, 216
- 7.11 Sample Computerized Invoice, 217
- 7.12 Contribution Margin as Graphically Illustrated in a Break-Even Chart, 221
- 8.1 Sample Line Service Request Form, 235
- 8.2 Sample Line Invoice Form, 236
- 8.3 Sample Line Invoice Form, 237
- 9.1 NBAA Noise Abatement Techniques, 252
- 9.2 AOPA Guidelines for Noise Abatement, 253
- 9.3 Sample "Hobbs Report," 267
- 10.1 Typical Organization of a Maintenance Department, 279
- 10.2 Federal Aviation Administration Application for Repair Station Certificate, 281
- 10.3 Parts Sales Summary, 288
- 10.4 Piper Aircraft Inventory Card, 289
- 10.5 Basic EOQ Graph, 291
- 10.6 Aircraft Maintenance Inspection Checklist, 293
- 10.7 Shop Order, 299
- 10.8 Shop Order Screen, 300
- 10.9 Internal Shop Order Form, 303
- 10.10 Sample Page From an Aviation Flat-Rate Manual, 305
- 10.11 Maintenance Warning Report, 306
- 10.12 Individual and Shop Productivity, 307
- 10.13 Break-Even Chart Used for Controlling Overall Service Shop Productivity, 308
- 10.14 Key Ratios and Normally Accepted Standards for Maintenance Departments, 309
- 11.1 Fire Inspection Checklist, 314
- 11.2 Sample Security Mission Statement, 331
- 12.1 National Hierarchy of NPIAS Airports, 335
- 12.2 Distribution of Activity, 336
- 12.3 Grant Conditions Under Airport Improvement Program, 341
- 12.4 NPIAS Development Cost Estimates by Airport Category, 362
- 12.5 Total NPIAS Cost (\$33.5 Billion) Estimates by Type of Development, 363