

Airport Beacon Report



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BASIC AIRPORT MANAGEMENT DOCUMENTS

By Bobbi Thompson, Executive Vice President

Operating an airport today is extremely challenging and requires management to be functioning as a cohesive team. Having written policy documents for the basic activities will provide the “playbook” for your airport team, as well as saving time, money, and lawsuits.

We are often asked what an airport needs as their basic documents, which is why several years ago, Michael and I started teaching the “Basics of Small Airport Management” workshop in conjunction with AAAE. During the workshop, we discuss numerous policies and procedures; however, the following are considered the “MUST HAVES!”

- Rules and Regulations
- Emergency Plan
- Leasing Policy
- Rates and Charges Policy
- Minimum Standards

The following provides a brief synopsis of each of these airport management documents, which may help you decide what you actually have and need at your airport.

Rules and Regulations

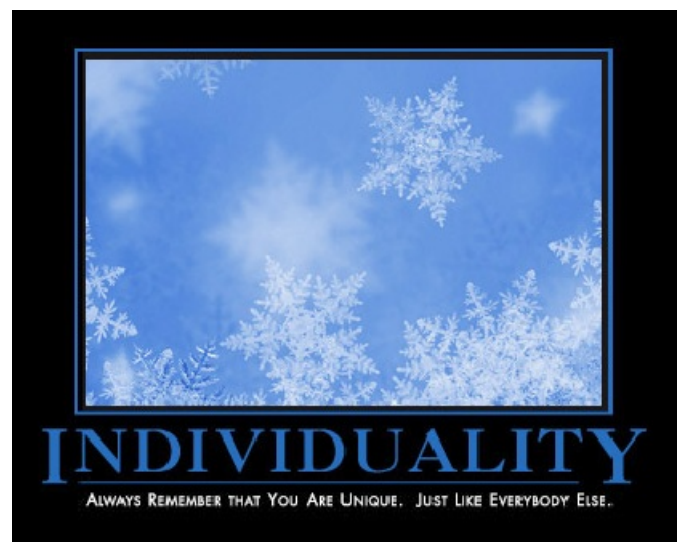
Almost all airports have some form of Rules and Regulations (not to be confused with or incorporated into Minimum Standards). Rules and Regulations govern and control the activities of all persons that enter your airport, and how they are required to act while they are on the airport. They may include provisions on certain activity permits that are required for the privilege of conducting certain

functions, but they do not set the threshold standards required of commercial aeronautical activities.

Airports and the operational activity that they support have certain inherent dangers and require resolute dedication to safety controls and movement restrictions. In order to best manage the activity of people and equipment, airports typically develop Rules and Regulations. Rules and Regulations stipulate what is acceptable behavior while an individual is on the airport, set driving standards, special event restrictions, controls for animals and children, vehicle markings, safety procedures, airport access requirements, construction standards, disposal of waste products details, etc. Generally, an airport will incorporate the airport’s Rules and Regulations into an ordinance to have the enforcement capability of local law enforcement.

Emergency Plans

Having recently experienced four hurricanes and a tropical storm in a six week period in Florida, my belief in airport emergency plans has been reinforced dramatically. During this period, I have watched two airports respond very differently to significant damage,



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one with an emergency plan and one without. The repairs and time spent getting back to normal business was greatly impaired at the airport without a plan. In fact, additional damage likely occurred because there was not an emergency preparation plan for such a catastrophic event. Do you and your staff know what your duties are in case of an emergency? Do you know who to call and in what order? Do you have a procedure for emergency service providers and do they have knowledge of your airport facilities and how to respond expeditiously?

Leasing Policies

Leasing Policies should be simple and direct. The policy can be for both commercial and non-commercial, or you may separate the two categories depending on the complexity of your airport. If you already have written lease application procedures, you have a good start into getting this policy completed. The primary contents for your policy are the application procedures and requirements and the stated reasons for denials. Included in your policy should be a detailed list of the supporting documents that each applicant must include with their written application. We also recommend that the application be notarized in order to confirm the accuracy of the information provided. Don't forget to have a non-refundable application fee. The amount of the fee will vary depending on your airport's activity, but it should never be less than \$500.00 to cover the time it will require to review and confirm the application details.

Rates and Charges Policies

A Rates and Charges Policy is not a listing of your airport's rates and fees, but is a policy that clearly defines the methodology and processes utilized by the airport sponsor for establishing rates and charges at your airport. Do you use appraisals? How often do you appraise? How do you select an appraiser and what are their qualifications? Do you follow the rates and charges of other comparable airports? What is the cycle time for reviewing rates? How do you go about adjusting rates and fees? Do you use CPI adjustments? How and when is the escalation applied? Does your airport have reversionary clauses? All of these questions (and more) need to be considered and addressed in this policy document. In

addition, it is important in the development of this policy that you make a determination of the effect that it may have on development at your airport, and be certain that the final policy achieves your development goals.

Minimum Standards

Minimum Standards define the threshold requirements for each commercial aeronautical service provider on an airport. As defined within Advisory Circular 150/5190-5 change 1, Minimum Standards should be written specifically for each individual airport, as each airport has a distinctive set of services, service providers, and user demands. Most airports get into trouble when they try to fit an airport to a standard instead of developing a standard for the airport. Well-prepared Standards help to ensure the commercial operations have a certain level of quality, the personnel have appropriate training, the staff are certificated to perform the approved service(s), that facilities can adequately support the commercial activity, and that scheduled business hours are maintained.

During the development of Minimum Standards, the airport should seek input from the airport tenants and commercial operators. Most importantly, remember that they are minimum standards. Do not set standards that are excessive in their requirements. Each set of standards needs to contain very specific language on leasehold size, facility sizes, hours of operation, personnel, FAA certifications, insurance requirements and the minimum amount or equipment deemed appropriate. Language such as "adequate", "as needed", "for all GA aircraft", "to meet demand", and other non-descriptive or vague terminology that leaves requirements subject to interpretation need to be avoided.

Allow enough development time to thoroughly consider the amounts and type of insurance that is necessary, remembering that we are talking minimum amounts. Today's aircraft, building and equipment cost compounded by a litigious society demand that you protect your airport and its staff. Do not expose the airport or its personnel to financial ruin from the activities of others from not requiring the needed level of insurance for the risk involved.

What Else?

A Business Plan or Strategic Plan is a relatively new concept to airports, which I find very strange. You are operating a multi-million dollar enterprise, with many demands on your time, many individuals watching your actions, politicians inserting their will – and you with no Plan??!! As airport management, you understand the need for a Master Plan and the access it provides to federal funding. However, why not have a financial, management, and development plan that helps you grow the airport with the available infrastructure facilitated by the Master Plan?

As an example, consider for a moment what your thought process is for new T-hangars. Will you build them, do you go the third-party development route, or is it an FBO-funded project? What documents do you have to support that decision? Now, insert any of several items in place of T-hangars. Do you know what the best decision is and why? A Business Plan will help you identify, establish and prioritize goals. The plan should contain marketing strategies, organization charts, job descriptions, communication polices, 5-year pro-forma budget details, and clearly defined goals and objectives. Remember that your airport is just like a large complex business, shouldn't you be running it like one?



Free Puppy to Good Home!

THE MAGIC RECIPE FOR AIR SERVICE DEVELOPMENT

By Mark Davidson, A.A.E., Vice President

No matter what size community you serve, it seems that one of the biggest obstacles facing commercial airports is the ability to attract and maintain airline service. In the past three years, approximately 22 airports have lost all of their airline service, while another 190 are scrambling to keep the one airline they have. Even large airports such as Pittsburgh and Denver are not immune to the struggle. Airlines facing bankruptcy are re-evaluating their hub and spoke networks and are making major changes to the industry across the board.

So what measures are currently being taken by the airports to attract and maintain airline service? From our observation, it appears that a number of airports are doing the same old things ranging from revenue guarantees to seed money. Although these traditional methods work in a number of markets, airports need to determine what is the right mix or “recipe” for their own success. In most instances, a method such as a revenue guarantee cannot succeed without support from other air service development methods, such as basic marketing. Finding the right combination, as well as considering other “ingredients”, requires insight into the local market as well as an understanding of the industry.

From our perspective, it seems that a number of airports are not thinking “outside of the box”. Year after year they continue to subsidize their airline, or even worse, they hire a consultant that supplies them with a “Boiler Plate” air service development plan that they use for every airport they service. Each airport is unique and needs to retain a consultant that understands the industry, their local market, and a variety of different “ingredients” to make the air service program a success at the particular airport.

For instance, in an effort to increase air service options and to lower ticket prices to such cities as Salt Lake and Denver, the Natrona County International Airport in Casper, Wyoming approached Big Sky Airlines. During meetings with Big Sky, two constraints

became apparent. The County was not interested in funding revenue guarantees and Big Sky did not have the fleet to expand service to the new market. In an unusual technique in developing new air service while simultaneously influencing carrier pricing, the County decided the best approach would be to purchase a 19 seat aircraft and lease it to Big Sky for \$1 a year. To purchase the million dollar, Fairchild Metroliner III, the County and the Natrona County International Airport each put up \$250,000 and acquired a \$500,000 grant from the Department of Transportation. After the purchase, the County Commissioners approved an aircraft lease agreement, a certificate of acceptance with Big Sky Airlines for the Fairchild Metroliner III, and the Memorandum of Understanding with Natrona County regarding joint ownership of the airplane. As everyone expected, as soon as Big Sky started service from Casper, air fares dropped approximately \$200 to \$300 and the community was enjoying the increase in air service frequency. In addition, the County had an asset instead of a revenue guarantees liability.

Another example of creative air service development was conducted by the airport in Binghamton, New York. To correct the deficiency in air service and recapture lost traffic, it was decided that the best course of action would be to upgrade existing service quality. This entailed larger aircraft and some upgrades from turboprop service to small "regional" jets. To accomplish the task, the Airport negotiated with United Express/Atlantic Coast and Northwest AirlinK/Express to exchange a risk guarantee for the incremental operational costs associated with upgrading to CRJ aircraft (50-seats or greater).

In addition to these examples, a unique approach can be learned from one of our international clients in China. Due to the unique nature of their markets, they are considering beginning a small commuter airline to connect the smaller airports in northern China to Beijing, which will serve to increase traffic at both the Beijing hub and smaller limited service communities. Air service is growing at a rapid pace in China; however, the current airlines are wary of expanding too quickly to the rural areas which have appear to have adequate passenger demand.

So what is the magic recipe to develop air service? Just like making cookies, the secret is homemade. Every airport and local community is different and a standard approach will not work. Just like your grandmother needs to add the right pinch of ingredients, airports need to make sure they are not supplying too much incentive or not enough. In addition, airports need to make sure they allow the program to grow and not pull out before it begins to work. But above all else, the airport needs to realize when a program has been in place too long, because just like cookies, the airport will get burnt.



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