

Airport Beacon Report



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KEY ISSUES FACING TODAY'S MANAGERS

By Michael A. Hodges, President/CEO

Foremost on the minds of many fixed base operators are things such as longer lease terms, the necessity of reversion clauses, and a quest for reduced rental rates. Airports on the other hand, want the ability to adjust rents on a regular scheduled basis, seek capital improvement commitments, pursue fewer administrative burdens relative to rent collection, and avoid discrimination claims.

Two significant issues plaguing FBOs and airports alike are Minimum Standards and corporate self-fueling. These items cause specific problems for each side, as each is impacted in their different ways and to varying magnitudes. However, the most important issue is that they are both affected, and as a result, must work diligently to find ways to work together to reach amicable solutions.

Minimum Standards

In general terms, Minimum Standards are airport policies which set minimum threshold requirements relative to providing commercial aeronautical services on an airport. Items of significance in Minimum Standards include facility size and use allocation (how much office, hangar, etc.), minimum hours of operation, insurance requirements, staff levels and training, fuel farm standards for those providing fueling services, and many other issues.

All of these issues have changed dramatically in recent years as trends in general aviation activities have changed. Recreational aircraft use declined substantially in the '90s and '00s while levels of corporate jet activity are at an all-time high. Because of this change in the marketplace, FBOs and other



Just outside the hangar door, the staff draws straws to see who has to call the owner....

commercial service providers have modified their operations accordingly. Minimum Standards must also reflect this change, while also anticipating future trends. In reality, Minimum Standards only effect future development and activities at the airport, since they are seldom retroactive.

As one might guess, the key point of contention in Minimum Standards is the *minimum*, not the *standard*. What is one person's minimum may be another person's maximum. Since Minimum Standards are not retroactive, existing tenants generally want a minimum that is more restrictive than the current operating and development conditions. Obviously, the FBOs objective is to minimize competition and protect their investment, while the airport usually seeks to smartly grow the airport and maintain a high level of services at fair prices.

As the number of businesses increase on the airport, the necessity of a level playing field is even more significant. New operators desiring to break into a

market typically want less restrictive standards to permit them to compete on a more immediate and cost-effective basis. This is likely not in the best interest of the airport or existing operators, so an acceptable middle ground is usually the answer.

Regardless of whether you choose to be more or less restrictive than the current standards, the primary focus should be to develop standards which reflect current and prospective market conditions at the airport. As such, while the jointly produced Minimum Standards guide offered by NATA and AAAE provides a good “starter” template for most airports, it must be carefully tailored to meet each airport’s needs and goals.

Corporate Self-Fueling

The other dominant issue within the general aviation industry is corporate self-fueling. As corporate jet activity and fractional ownership have increased, so has the demand for the ability to fuel one’s own aircraft. Much confusion surrounds this issue, especially relating to an airport’s perceived requirement to permit these activities.

In the FAA’s Grant Assurances, it indicates that an aircraft owner has the right of self-fueling and self-maintenance. As a result, many airports interpret this to mean that they must allow a corporate entity to build their own fuel farm upon request. *This simply isn’t true.* While FAA mandates that an airport permit self-fueling, an airport doesn’t have to allow a corporate to build its own fuel farm. Of course, it isn’t always easy to say “no”.

There are generally three basic means by which an airport can prohibit this activity:

- 1) environmental concerns
- 2) safety concerns
- 3) Minimum Standards

Essentially, the environmental and safety concerns relate to the fact that an airport may not want to incur the additional liability of fuel storage facilities throughout the airport, coupled with the addition of more fuel trucks running around. While the

environment and safety are reasonable, real and viable issues, they are often subjective and open to debate (or litigation). Minimum Standards, on the other hand, represent an independent document which applies to everyone, without unjust discrimination. It is within this document that many airports have adopted an “only FBOs can fuel on the airport” philosophy. Minimum Standards are generally the most effective means of “leveling the playing field”, by serving as an objective document which is applied universally.

The airport management sector has experienced several changes in recent years. While leasing trends appear to be similar to past years in terms of rental structures, lease terms, etc., the attention to financial self-sufficiency is the more current focus, especially for general aviation airports. To prepare for these prospective changes, many airports are attempting to get their financial houses in order. This includes a review of the rates and charges, analysis of alternative revenue sources, development of non-aviation or ancillary uses of non-flightline properties, and the establishment of a long-term business plan. While many airports still must face the fact that they will probably never be financially self-sustaining, it does provide them with a long-term plan to reduce or manage the operating deficit.





ASK ABS

A monthly part of our newsletter is a section called "Ask ABS", where we answer aviation-related questions from our readership. (If we do not receive a question, we make one up.) Each month we publish one question that we receive with a joint reply from our professional consulting team. As stated in our last issue, we would REALLY appreciate more questions from our readers, as we are getting tired of making up questions. Please submit any questions via e-mail to Mark Davidson at: mdavidson@airportbusiness.net

This month, Steve Johnson, A.A.E., Executive Director of the Grand Forks International Airport, supplied ABS with a number of questions related to fuel. The following section states each question and our response each concern.

Question: "Is fuel storage—separate from a fueling operation or fuel sales—an aeronautical activity as defined by the FAA?"

Fuel storage is different than fuel sales. An airport can have multiple entities dispensing retail fuel from a single fuel storage facility.

Question: Further, if it is an aeronautical activity, can an airport operator reserve for itself the proprietary exclusive right to provide fuel storage on an airport?

The right to store fuel is an administrative decision.

Due to environmental management control, space limitations, airfield management, and other reasons, an airport sponsor may determine that they only want a single location for fuel storage, and that they will own this single facility. Many airports have made that decision.

Question: Can an airport require that all fuels stored on the airport be stored in an airport-owned fuel farm?

Yes, and several airports do.

Question: If fuel storage is an aeronautical activity and if the operator can reserve that activity as a proprietary exclusive right, this becomes a limit on the self-fueling rights of users because it precludes self-storage.

In Advisory Circular 150-5190.5 Change 1, Exclusive Rights and Minimum Standards for Commercial Aeronautical Activities, the right to self-fuel is defined. However, the Advisory Circular is silent on storage. Airports have allowed private and commercial entities to utilize the airport-owned fuel storage facilities for a fee at many airports. Co-mingling is usually not an issue because most of the fuel is delivered from the same refineries.

Question: It doesn't preclude a user from bringing his/her own fuel onto the airport for self-fueling, but whatever is not put into the aircraft must then leave the airport. How do you think the compliance folks would come down on this one?"

Transporting fuel on or off the airport becomes a local fire and DOT issue. DOT has many regulations on the type and licensing of vehicles for the transportation of fuel. At the very least, you should require individuals to apply for an airport fueling permit with a reasonable permit fee, as well as paying the airport a fuel flowage fee. Having a permit helps you track the volatile and hazardous materials coming onto your airport, and the fee is reasonable to pay for the privilege and use of the airport infrastructure.

**BASICS OF SMALL AIRPORT
MANAGEMENT WORKSHOP**

***October 14 and 15, 2006
New Orleans, Louisiana***

The *Basics of Small Airport Management* workshop is again scheduled to be presented by Michael A. Hodges and Bobbi Thompson in conjunction with the AAAE National Airports Conference scheduled in October in New Orleans. This interaction and informative workshop provides an overview of most property, business, and management issues facing airports today. The workshop is beneficial for those new to the airport management field, as well as those of you with years of experience, and qualifies for 12 CEU credits by AAAE. Contact AAAE to get registered.

Airport Business Solutions is recognized as the leader in providing valuation, analysis, and consulting services to airports and aviation businesses, and offers a diversity of backgrounds and experience which provides a new, creative, and "outside the box" perspective on a myriad of aviation issues and problems.

In addition, our international affiliate, Airport Business Solutions International, AEC, has helped numerous airports worldwide with a variety of airport management and operational issues and problems. Problems at international airports are no different from those experienced at airports in the U.S., and the diversity of experience and breadth of knowledge of Airport Business Solutions International has been extremely valuable in achieving comprehensive solutions to those issues.

For More Information

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