



Airport Beacon Report

September 2007

WELCOME BACK!

Welcome back to the “new and improved” *Airport Beacon Report*, a monthly informational publication of *Airport Business Solutions*. For those of you who were previous subscribers, you are aware that we went to great lengths to both educate and entertain our readers, without resorting to shameless commercial endorsements. Unfortunately, the “entertainment” aspect of the newsletter was deemed offensive by some of our readers because of the political incorrectness of some of the jokes and cartoons we offered. Instead of falling into the PC trap, we will offer an up-front warning to those of you who wish to receive the *Airport Beacon Report* this time around. This will not necessarily be a politically correct publication. It will not be an X-rated newsletter, not even an R-rated one. However, it can clearly be classified as PG-13, and not suitable for everyone in your office. Especially those that are easily offended.

We will continue to offer comments and positions on issues that may not be agreeable to everyone. That is okay and is as intended. The purpose of most of what you read in this newsletter is intended to get your brains in motion and begin to think “outside the box” as to what may or may not work at your airport. Feel free to e-mail us with contradictory opinions and alternate ideas. If they make sense (and do not include personal attacks), we will publish them in the next issue. Our goal is to help you run your airport more efficiently and hopefully, to make your job easier in the long run. Obviously, we hope that we do not educate you to the level that you do not need to hire highly qualified consultants (who happen to publish free newsletters), but get you just up to the edge of the cliff. We hope you enjoy this new publication. As always, if you like what you see, drop me an e-mail at mhodes@airportbusiness.net. If you do not like the newsletter or disagree with the content or ideas, please e-mail Mark Davidson at mdavidson@airportbusiness.net. He takes rejection better than I do!

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EMPLOYMENT CONTRACTS - WHO NEEDS 'EM?

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

For those of you who have worked at public airports, you know that little can be accomplished without written contracts. Documents such as leases, grants, purchasing agreements, consulting agreements and construction contracts, need to be in writing to ensure that everyone knows the terms and conditions of each party involved. (And gives the attorneys something to do!) In fact, it goes beyond the airport environment to our personal lives. Every day, individuals execute agreements to buy homes, vehicles, enter cell phone service contracts, and join fitness clubs (with contracts that are impossible to get out of). So why is it that so many of us except job offers without a written contract? Is it because we are so excited about the opportunity that we do not want to ruffle feathers with the idea of a contract if the airport organization doesn't have one? In some cases the only employee that receives an employment contract is the Aviation Director and/or President/CEO of a large hub airport. But what about the rest of the department heads or airport managers at smaller facilities? Is it a smart idea to work without one?

The income from your job supports you and your family's livelihood. It is important to have an agreement that supports and protects your interests. A well-written employment contract can settle disputes, protect promises, and outline responsibilities. So often, information is not written down and there is a misunderstanding as to what was said or promised in the past. Other situations arise when a manager may not have been authorized by the airport organization to make a certain decision, or a manager makes verbal promises, then moves to another organization, leaving no confirmation of the agreement.

Besides protecting the interest of the employee, employment contracts are a good idea for the employers. The airport organization can protect itself from unnecessary litigation or from a rogue manager that makes verbal promises that can not be kept. So why aren't more airport organizations pushing for employment contracts? Airport authorities, counties, and municipal governments are notorious for bureaucracy and written agreements; however, when it



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comes to employment contracts, they often prefer to work under the concept of "at-will employment" with no employment contract. This means that if the new employee doesn't work out, they can fire them at-will. But what so many airports organizations fail to realize is that the employment contract can include an "at-will" termination clause.

An employment contract does more than set the terms of employment. In fact, depending upon the level of employment, an agreement can be relatively simple or more detailed for a senior level airport executive. A typical employment contract depicts the conditions of employment including the following:

- Position being offered and accepted
- Compensation that will be paid
- Duties of employee
- Responsibilities of employer
- Confidentiality
- Term of employment
- Specifics regarding sick leave and vacation time
- Provisions for termination

In summary, employment contracts are a good idea for both the employee and the airport organization. The contract can help avoid or minimize disputes while promoting success. Having a written contract creates a clear and concise record of what everyone is agreeing to and expecting, and should be considered for more employees beyond the high level directors.

JOKE OF THE MONTH

People were in their pews talking at church. Suddenly, Satan appeared at the front of the church with his cape flapping, nostrils flaring, and horns peaking. Everyone started screaming and running for the front entrance, trampling each other in a frantic effort to get away from evil incarnate. Soon everyone had exited the church except for one elderly gentleman who sat calmly in his pew without moving, seeming oblivious to the fact that God's ultimate enemy was in his presence. So Satan walked up to the old man and said, "Don't you know who I am?"

The man replied, "Yep, sure do."

"Aren't you afraid of me?" Satan asked.

"Nope, sure ain't" said the man.

"Don't you realize I can kill with a word?" asked Satan.

"Don't doubt it for a minute," returned the old man, in an even tone.

"Did you know that I could cause you profound horrifying, agony for all eternity?" persisted Satan.

"Yep," was the calm reply.

"And you're still not afraid?" asked Satan.

"Nope," said the old man.

More than a little perturbed, Satan asked, "Well, why aren't you afraid of me?"

The man calmly replied, "Been married to your sister for 44 years!"



GATHERING OF MUSTANGS AND LEGENDS

Just when you thought that **The Gathering of Mustangs and Legends - "The Final Round Up"** could not get anymore exciting, the USAF Thunderbird team announced that they will be performing at the Gathering September 27-30, 2007 in Columbus, Ohio.

The Gathering of Mustangs and Legends, to be held at Rickenbacker International Airport will bring together over 100 beautifully restored P-51 Mustangs. The P-51 is commonly credited with being a pivotal element in the Allied Forces' effort to win World War II. Since the military retired the P-51 Mustang, the aircraft has been purchased by many civilians and restored to their original glory. Of the over 15,000 Mustangs produced, approximately 150 remain in flying condition today. *The Gathering of Mustangs & Legends* will bring together over 100 of these aircraft and honor 51 Legends associated with the aircraft such as WWII aces, Tuskegee airmen, crew chiefs, WASPs and more. This event will recognize and celebrate the contributions of all WWII veterans who are now in their mid-80's.

The U.S. Air Force Air Demonstration Squadron is an Air Combat Command unit composed of eight pilots and over 100 support personnel that incorporate the maneuvers and techniques that won the war over the skies of Europe over 60 years ago into a powerful, spell binding display of aerial ballet. The hour long show combines formation and solo flying mixing 40 exciting maneuvers that are amazing if performed alone, but are awe inspiring when performed in perfect close harmony over head. "We are honored the USAF Thunderbirds will be performing in Columbus at the 2007 Gathering of Mustangs & Legends", said Elaine Roberts, President & CEO of the Columbus Regional Airport Authority, which operates Rickenbacker." The precision aerial maneuvers exhibited by the Thunderbirds are sure to be a crowd pleaser and will be a fitting tribute to the 51 World War II Legends to be honored at the Mustang event." For more information visit the Gathering of Mustangs web site.

<http://www.gml2007.com/index.asp>

ASK ABS

Once again, a valued part of our monthly newsletter is a section called "Ask ABS". Within this section, we answer aviation-related questions from our readership. (If we do not receive a question, we usually make one up.) Each month we will publish one question that we receive with a joint reply from our professional consulting team. Please submit any questions via e-mail to Mark Davidson at mdavidson@airportbusiness.net

This month's question comes from a City official that would prefer to remain anonymous (For those of you new to our newsletter, anonymous usually that means we made the question up! However, it is often based upon a true story or actual situation.)

My community has a small general aviation airport. We currently have a privately-owned FBO that provides pilot services and also manages the airport under a ground lease and management agreement. They only have a few years left on their lease, at which time all improvements revert to us. The management agreement terminates at the same time. We are not real happy with the service the FBO has been providing in recent years, and are concerned that they are actually driving traffic away from the airport. We only pump about 200,000 gallons of fuel each year, so we have doubts about our ability to attract a quality operator under a long-term lease. We think we might benefit from the growth of VLJs, but are not sure when or if that will happen. We are strongly considering the City taking over the FBO and airport management responsibilities when the agreement expires. However, we do not know how to do this, manage the transition, or even determine if this is a viable alternative for us. Any ideas?

Your question seems to be more and more common nowadays, especially as the number of "mom and pop" FBOs is in a rapid decline. The cost to run an FBO in today's environment is often "off the charts", which makes it hard for a private operator to survive on fuel volumes such as those you are mentioning. Sure, they can generate some additional income from providing other services such as maintenance, avionics or flight training, but the margins on those lines of business are significantly less than on fuel and hangaring. Plus, the

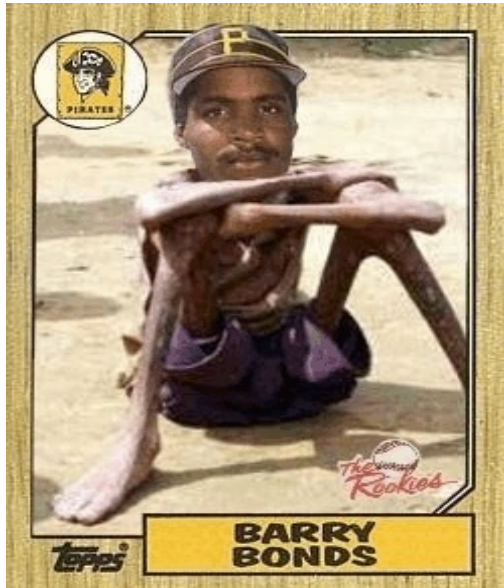
risks are much higher. All of this usually means that employee turnover is higher, morale is lower, and amenities are almost non-existent.

For the City, there are obvious risks associated with taking over the operation, led by the liability risk issues and "deep pockets" concerns about taking over a complex venture where you have no experience or hands-on background. Moreover, there are numerous risks in betting the farm on the growth potential offered by VLJs. While the concept of VLJs is an intriguing one, it is still unproven and wrought with questions of economic and operational viability and long-term impacts, especially on the FBOs that will be called upon to service them.

This does not mean that the City should completely shy away from this opportunity. However, you may want to explore the option of having someone step in and manage the facility on your behalf during a designated transition period. During this transition period, the management entity could set up various systems and operational procedures, as well as hire and train employees on your behalf to facilitate a transfer to your internal management and operation in the future. This transition period could last 6 months, it could last 12 months, or you could eventually decide that this is a viable long-term solution to your problem. Compensation for the management entity could be structured in any number of ways, although the most common would be a fixed monthly fee or on a "cost plus" basis, whereby the manager passes through the day-to-day costs of running the facility, plus a percentage mark up on those costs. In addition, you can incorporate certain performance incentives based upon certain revenue benchmarks to motivate them to grow the business, not just run it.

The benefits of such an arrangement are numerous. First of all, you get to keep all of the revenue generated by the FBO. Secondly, it gives you a better opportunity to find out what is really going on at the airport, instead of just going on what the former FBO told you was happening. Finally, it gives you the flexibility to maintain control over your asset, without enduring the day-to-day headaches of managing such a significant service industry.

If you want more information on this alternative, please do not hesitate to give me a call or drop me an e-mail. Coincidentally (surprise, surprise), we provide these services to airports on an interim basis. Just think, you could finally have the opportunity to pay us for all of this great free advice we offer in this newsletter. Our spouses and children thank you in advance! **Michael A. Hodges** can be reached at (813) 269-2525 or mhodges@airportbusiness.net.



For Sale - Barry Bonds Rookie Card

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.

Basics of Small Airport Management Workshop
September 8-9, 2007
Tucson, Arizona
Loews Ventana Canyon Resort

Airport Business Solutions has once again joined forces with AAAE to provide a comprehensive and in-depth introduction to the business of airport management. The focus of this workshop will be helping you run your airport more like a business. As always, the workshop is held in conjunction with the F. Russell Hoyt National Airports Conference.

The Basics of Small Airport Management Workshop provides an overview of most property and business management issues and will benefit airports of all sizes. Day-to-day issues facing airport management are addressed in this two-day class, with lots of built-in flexibility to allow everyone the opportunity to participate and relate issues to the "real world" problems facing them when they return home.

Contact AAAE today to attend this valuable and entertaining workshop! We hope to see you there!!!

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