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Managing Your Management Company Part Two: Balancing Owner & Charter Use

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You've just taken delivery of your new business jet and look forward to fully using it to save travel time. However, your CFO reminds you that the aircraft's business plan calls for 200 hours of charter a year to help offset some of the fixed costs of ownership. How will you manage all your business trips while also letting your management company charter out your aircraft?

The natural tension between the owner's use of his or her business jet and the management company's desire to maximize the aircraft's charter hours often leads to disharmony. How can you avoid conflict and maintain a positive relationship with your management company?

THE NEW GROUND RULE: RELATIONSHIPS MATTER

- **State your expectations** — First, you must be certain of your goals for charter use, and be able to communicate them clearly to the management company and its charter sales team. Some owners are very willing to accept any trip presented to them, while others reject most requests. Your charter sales team wants to support your goals — and has to know what they are. Clearly define for them how much charter you want, and what constitutes an “acceptable trip.”
- **Define “acceptable trips”** — Many experienced business jet owners require that an acceptable charter request include only charter legs greater than X flight hours with a trip duration of not more than Y days in total. These parameters minimize the wear-and-tear on the aircraft and maximize the number of charter hours flown in the shortest period of time. While the actual flight hour minimum depends on the type of aircraft, this type of requirement usually applies to mid-size and large-cabin business aircraft. For example, a GV owner may specify a minimum leg of three to five flight hours. Exceptions should be considered for regular customers and/or for clients who need a short hop to pick someone up before embarking on a 10+ hour leg from the U.S. to Europe or Asia.
- **Communicate your schedule** — You can avoid unwanted charter requests if you consistently communicate your

intended future use of the aircraft to the management company. Doing so will prevent them from offering charter trips that conflict with your existing schedule.

- **Use charter** — Sometimes your charter sales team will submit a request in which the trip duration exceeds your established limit and/or conflicts with your existing schedule. Consider chartering a small business jet yourself, rather than rejecting the trip outright, should you have only one or two short trips in conflict with an otherwise attractive charter request.
- **Respond promptly** — If the charter sales team contacts you or your representative to approve a trip, try to respond quickly. Charter sales reps are under pressure to get their charter clients an answer quickly. If you don't respond in a timely fashion, you may miss out on a good trip.
- **Consider tax depreciation** — Tax depreciation usually is an extremely important factor in the economics of business jet ownership. The number of charter hours your aircraft flies can affect your depreciation deduction. Be sure you thoroughly understand the tax implications of your charter hour target and communicate that understanding to your management company.

You or your representative should check in regularly with your management company to review your goal. If you are running short of your target, ask your management company to provide a plan to help you catch up. Some steps they might take include:

1. Direct email marketing to other operators and charter brokers regarding aircraft availability.
2. Contacting clients with future trips scheduled, and offering your aircraft at a “preferred rate.”
3. Offering short term pricing “specials” to all clients during slow travel periods.

Following the above steps and regularly communicating with your management company enables a harmonious working relationship, avoids frustration, and will allow you to successfully balance your own use of the aircraft with achieving your charter objectives. **BAA**



DAVE WEIL previously served for 17 years at TAG Aviation USA and its predecessor, Aviation Methods. He helped TAG grow into the largest aircraft management company in the U.S., led its expansion into Asia, and served as President of its subsidiary, AMI Jet Charter. A past Chair of NBAA's Tax Committee, he holds an MBA from UCLA.