

Expense Versus Efficiency



No one would argue the fact that business aviation is expensive. After all, even buying an entire row of first class seats to ensure adequate room and privacy is cheaper than most business aviation legs. Having established that fact, let's move on to a less obvious fact: business aviation can actually be efficient.

There's no excuse to run an inefficient operation, thinking no one is paying attention. In fact, in my 33 years of buying and selling business aircraft, I've noticed people paying more attention to costs than ever. It's time to switch the watchful eyes of corporate to efficiencies. Our entire future is going to be based on efficiency, and it's clear that most costs won't go down, so efficiency must go up for our industry to survive.

Fuel has never cost more and I doubt we'll ever be able to say again that we will use a per gallon cost of less than \$2.00. I must admit, while looking back over Conklin & de Decker cost summaries, I didn't have to go back very far in time to find that amount used regularly. The hourly cost of labor has increased as well as the cost of salaries and wages, hangar usage, and insurance. In fact, every cost associated with the operation of business aircraft has gone up.

These are costs we can see, but how about the unseen costs of far more onerous personal tax laws or the impending User Fee costs? This all makes owner and operator's heads swim. 'What is one to do,' you ask? Create efficiencies!

I assure you that you can't find a corresponding efficiency for every cost increase, but you can make significant differences to the bottom line by being relentless in the pursuit of efficiency. I'll take the balance of this piece to point out several that will be considered 'the low hanging efficiency fruits'.

Often, efficiencies come with a price tag. What looks at first like a cost, however, will bear the efficiency fruit of which I spoke. Even small, one aircraft operations can develop efficiencies that will sooner, rather than later, reduce operation costs.

One of the worst inefficiencies is the one plane, one pilot operation. Management feels that rather than hiring two pilots, they

can shift the entire burden of the department to the one pilot. He or she can fly the plane, schedule maintenance, clean up after the flight, report correctly and timely to the maintenance shop and of course be responsible for the cost reporting... oh, and they can also manage a group of pick-up pilots to always be ready when the boss says, "let's go in an hour." Any one recognize that department?

Not only should that department be ranked as one of the most inefficient, it should also probably be ranked in the 'unsafe' category as well. It's unreasonable for anyone to think this is really saving money, by cutting back to one skilled, trained flight professional. I assure you that having that second pilot on salary and on duty to offer critical assistance not only in the cockpit, but also on the ground, will save money and ensure a safer, more efficient operation.

As long as we're talking about adding staff, let's add one more person in the name of efficiency - a mechanic. This addition will add efficiency in the form of higher dispatch reliability, lower maintenance costs, increased safety and overall smooth department operation. This addition can be on the ground scheduling pop-up maintenance while the crew is reporting the problem from afar. So, for instance, when the plane arrives at the service center for repair, the mechanic has the needed parts and support waiting. The down time is diminished, the costs are controlled because of more direct management of the repairs and the plane is back in the air where it belongs. The right people in these positions can easily pay their own way within any given year of employment.

Fuel costs will never go down dramatically, however, there is no reason to pay more for less. Forget the lure of top choice steaks or fancier crew cars. Today the vigilant crew should be out ahead of every trip, building their own database of fuel-saving locations, and extending the home base savings through relationships forged from time spent between trips to locate and secure top choice fuel prices. Discounts do exist but are not always waving flags to get your attention.

Annual reviews of fixed expenses are also vital in today's inefficient world. Be sure

your insurance provider is a partner in developing coverage that is both correct for the asset and operation, and also cost sensitive. Be sure that as you

approach renewal you get the agent out to your operation and discuss the type of annual use. Be sure there are not better offerings or bundled products in your agents bag of offerings.

Other costs should be reviewed annually as well like hangar, training, and benefit costs. It may seem silly, but when was the last time you looked at the cost to have the two, three or 20 cell phones used by your department? Prices of cell phone contracts are tumbling. Remember, if you're not looking at every cost associated with your operation, you're not managing as well as you could and not finding the efficiencies that collectively can make a difference in the bottom line of your operation.

You should never be judged on not making your flight legs as cheap as even the entire row of first class, but you should and will be judged on making your operation as efficient as it can be in a time of escalating costs.

Don't put your head in the sand on this one. Raise it high, be visible to corporate, and be extremely proud of the work you are doing to bring efficiencies not only to your department's bottom line, but also to the entire company's bottom line. The idea of delivering your company's corporate culture to the client's doorstep ahead of the competition is what you are all about. Delivering it there ahead of the competition at a lower cost due to efficiencies is even sweeter.

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