

BUSINESS AVIATION

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# adviser



*The Business of Business Aviation*

## Mind the Gaps

Aircraft Financing Rules Have Changed:  
**Are You Prepared?**

## Better Days Ahead for Business Aviation

Converging Conditions Lift Current Market  
But Continued Caution Counseled



**SMOOTH MOVES**

**LESS VEXATION  
FOR AVIATION TAXATION**

**DON'T FLY-BY-NIGHT**

**BREAKING UP IS HARD TO DO**

**AVIATION SAFETY  
ACTION PROGRAM**



# Breaking Up is Hard to Do

## When Your Changing Needs Means Changing Management Companies

BY CHARLIE HUGHES

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**S**ometimes, relationships just don't work out the way you expect them to. When might it be time to change your aircraft management company? When:

- You've upgraded your aircraft, and your current company is not experienced with that make or model.
- It's not generating the amount of charter revenue you require.
- Recent personnel changes have undermined your confidence.
- The company is no longer financially stable. It's not paying its bills or meeting payroll on time, risking your operational safety and aircraft asset value.
- It's not paying attention to critical details. You feel like "just another client."

The change process includes many of the same steps you used to make your original selection, with additional legal, financial, operational, and service delivery factors and challenges.

**Legal and Financial** – The "termination" language in your aircraft management and lease agreement (if applicable) should define the terms of transition in detail. You should expect: an accurate accounting of anything still owed on outstanding invoices, time for all vendor invoices to work their way through its accounting system, the return of any remaining operating deposit funds, and payment of any outstanding charter revenue earned if your airplane was on the company's FAR (Federal Aviation Regulation) Part 135 Charter Certificate.

If you are retaining your current crew, employee health and retirement benefits should be covered and the transition to the new company handled seamlessly, to avoid any crew concerns.

Since the aviation legal and tax environment is complex and continues to evolve, be sure to engage a qualified aviation attorney to represent your interests. He or she should have a thorough knowledge of the FAA, DOT, IRS, and state tax guidelines for the state in which the aircraft owning and/or operating entity resides. Your attorney should review and approve all agreements between you and the management company, hangar facility, and crew assigned to your aircraft.

**Operational** – Four factors will have an impact on your own or charter revenue flying.

**1. Crew Retention** – The prospective management company should welcome the opportunity to consider your current crew and confirm their credentials and cultural fit within the new company.

**2. Crew Hiring** – If a new crew is required, you and the prospective company together should define what constitutes a qualified and acceptable crew. It should provide a realistic time line for



recruiting and selecting your new crew, and help them make a smooth transition to you and your aircraft.

**3. Training** – Your crew likely will require some training before flying your aircraft, whether recurrent, new aircraft-specific, or as required by the management company's operating procedures. It should be scheduled to minimize interruptions to your flying.

**4. Aircraft Transition/On-Boarding Process** – The new management company should clearly define the requirements for your aircraft to make the transition ("On-Board") to its operation. What is needed to comply with the appropriate FARs, Part 91 for owner flying and Part 135 for charter? Which flight authorizations will move from your previous management company? How will it transfer all maintenance records and logbooks? Remember, these records are your property and are critical to the operation of your airplane.

**Service Delivery** – Since your service experience will be informed by how well the operations department performs in response to your travel requirements, you should plan to meet with your new customer service representative to define those requirements. Include your executive assistant or designated scheduler and your pilots, maintenance technician, and flight attendant at this meeting, so you all can set realistic expectations for aircraft and crew scheduling, communications, scheduled and unscheduled maintenance, specific traveler requirements, and after-hours contacts.

With careful planning and preparation, your transition to a new management company should be smooth and easy. **BAA**



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