

experiments or other research and development; educational labs; surveillance; power line and pipe line patrols, in addition to other uses.

## Public, Press and Investor Relations

Progressive companies often manage opportunities to project a positive corporate image using business aircraft, either as a symbol of efficiency or as simple transportation to facilities or events to further this purpose. Publicity generated by the use of aircraft for noble purposes, such as the rapid delivery of relief supplies after a natural disaster, can be of substantial public relations benefit.

## Personal Travel

For an employee's non-business related personal travel. Although the use of business aircraft for personal travel is comparatively rare and specifically prohibited at many companies, other companies use the availability of personal travel as a unique contractually-defined benefit useful to attract and retain high value employees. Specific tax regulations apply to this use. Further information on these regulations may be found in Section 9 of *Flight Department Essentials* and at [www.nbaa.org/taxes](http://www.nbaa.org/taxes).

## Emergency Evacuation

To remove company employees from harm's way, usually as a result of a medical emergency, natural disaster, civil strife, or other security threat, particularly in areas of limited or uncertain scheduled airline service.

## Goodwill

Providing for personal customer or employee needs, such as travel associated with family emergencies or as a favor. There is not always an immediate, tangible business benefit from the use of business aircraft for customers or employees with special needs or for public officials (see below). A longer view, however, may suggest that the company's strategic interests can be best served by this practice depending on individual circumstances. Specific IRS regulations govern this practice regarding calculating imputed income. Further information on these rules may be found in Section 9 of *Flight Department Essentials* and at [www.nbaa.org/taxes](http://www.nbaa.org/taxes)

## Lobbying

Sponsoring transportation for elected or appointed officials.

The use of business aircraft for the carriage of public officials is common at all levels of government. Specific Federal Election Commission regulations govern this practice. Legal restrictions also can limit the availability of sponsored travel for certain government employees. All travel of this type is routinely and publicly reported. In rare instances, business aircraft also are used to carry government officials to company-

sponsored events. These can be unusual and invaluable opportunities for information exchange. Further information on these rules may be found in Section 4 of *Flight Department Essentials* and at [www.nbaa.org/taxes](http://www.nbaa.org/taxes).

## Business Aviation Regional Groups

NBAA strongly encourages budding and already operational local/regional business aviation organizations. Strong, symbiotic relationships between NBAA and regional groups only can strengthen business aviation interests everywhere. To that end, NBAA stands ready to support the formation of new local/regional associations as well as to assist existing organizations.

Business Aviation Regional Groups are organizations of users belonging to a particular geographical area or airport. Members share experiences and ideas to improve their professional knowledge, to network and to support charitable causes. Regional associations also have been responsible for influencing airport owners' attitudes regarding one of their community's most important assets. Regional groups can be strong advocates of business aviation by lobbying at the grassroots level and educating the general public, especially airport communities that may have an impact on airport access.

If there is a regional group in your community, contact a representative, visit a meeting and consider participating. If there is not an active group, use this section to help you start one. If you are interested in starting a regional business aviation group, NBAA will help. Contact your NBAA Regional Representative for more details, via phone at (202) 783-9000 or the web at [www.nbaa.org/contact](http://www.nbaa.org/contact).

## Flight Department Performance

### Getting the Most Out of Your Flight Department

The decision to invest in and operate a corporate aircraft is a major step within a company. Capital and operating funds that could be used to more directly contribute to the bottom line are funneled into an on-demand transportation function; an initial and continuing evaluation of *value* provided by this form of transportation is an essential element of the operation. Performance measures must be employed to fully appreciate the unique advantages of business air transportation. And, measuring performance will facilitate management of the considerable investment in aviation assets.

Many flight departments report operational statistics to company headquarters on a regular basis. Hours flown, miles traveled, destinations reached, passengers carried, and gallons of jet fuel consumed are all proudly reported in an effort to describe the operation. While these measures may describe the operation statistically they do little to define its levels of performance. Analogously, it's nice to know how many widgets a company sells, gross revenue and boxes shipped, but these tell



to become a part of the larger organization and still let them do what they came to do in the first place, operate aircraft.

Human resources, information technology, risk management and accounting departments all fulfill essential support roles for their companies – the company could not exist without their services, whether the functions are in-house or out-sourced. Why shouldn't the company flight department be considered as important or essential? In many companies they are, but achieving this institutional status has taken many years and much effort to achieve. The key ingredient of these institutional flight departments are that they have become an integral part of the company, actively following company strategies and providing transportation solutions to help the company achieve its goals and objectives. In short, it is a true business orientation that allows the flight department to become fully integrated, whether they work for an individual or a company.

### ***Generating Value for the Company***

Value generation in transportation is all about the efficient use of our most valuable commodity, time. Whether traveling to seal a deal, open a potentially valuable contact or to service an important account, they all require the expenditure of time. The ability of key employees to manage time efficiently is often the determining factor in the profitability of a company; the corporate aircraft time machine facilitates the pursuit of profitability.

While many people within a company concentrate on the costs involved with the operation of a corporate aircraft, they fail to understand the value created by the use of the aircraft. It is the concept of value creation that easily justifies the use of on-demand air transportation. Once the concept of value creation is understood measuring it becomes a useful performance measure.

The overly simplistic decision to use the company airplane for a specific trip usually looks at costs only: how can we justify the \$3,000 expense to fly the CEO to Peoria in the company airplane when the airline fare is only \$400? What's missing in this question is an appraisal of the value that this key employee brings to the company: His \$1 million total compensation puts his hourly compensation at \$500 but his ability to generate business for the company may be 10 to 20 times compensation, therefore, each hour of his time should really be valued at a minimum of \$5,000. Once this is realized, squandering his hourly rate and potential for revenue generation waiting in airline terminals and on unnecessary overnight stays becomes a highly inefficient use of this valuable asset. The same is true for any executive or manager within the company once the performance multiple is applied. (Performance multiples have been determined for various employee levels by the insurance industry in providing key employee insurance to companies.)

Computing this cost vs. value is complex and time consuming when trying to make the airline vs. on-demand decision. In response to this need NBAA has developed a sophisticated

software program to make these calculations. TravelSense incorporates compensation, performance multiple, travel time, airline fares and time away from work to present a comprehensive view of cost vs. value for all levels of employees for company, charter or fractional aircraft. TravelSense is a product available for sale via NBAA's web site at [www.nbaa.org](http://www.nbaa.org).

### ***Performance Measures***

Many flight department performance measures will be readily available to users of aircraft scheduling and operational database software systems specifically designed for corporate flight operations. A number of these systems are available to flight departments that track flights in detail from their inception through completion, capturing the results in a relational database with built-in report writing capability. Graphing and trend presentations are built into many of the systems, further enhancing the value of the report writing features.

While there are a wide range of performance measures available to flight departments, few departments track all of them. Most departments settle on a just a few measures and track them over time. Corporate culture and aircraft usage patterns normally dictate which measures will be used. Most companies place high value on the effectiveness of their on-demand air transport operations; efficiency is generally considered of less importance but still actively tracked; safety is always the highest priority.

How the information derived from performance measures calculations is used is just as important as the information itself. Tracking the measures calculated over time will provide useful trend information. However, the trends derived must be used in comparison with aircraft usage data to ensure that a level playing field is available for comparison. For instance, if an aircraft cost per hour measure shows a marked increase it may be due to a variety of variables such as, increased fuel prices, unscheduled maintenance actions or shorter leg lengths. Similarly, flight departments attempt to benchmark their performance with comparable flight department and operations. Comparison data is available from the *NBAA Compensation & Benchmark Survey* and from outside vendors. While comparisons of this nature are useful, care should be taken to ensure that one's flight department operational characteristics closely match those used in the comparison data. Ultimately, trending one's own data over time and constantly striving for improvement will yield maximum performance values.

The following are the most common performance measures used in flight departments:

#### ***Safety***

- Safety Management System compliance

#### ***Customer Service***

- Passenger satisfaction



- Required reading of safety materials
- Review of standardization, regulatory and procedural materials
- Spontaneous discussions of aircraft systems, procedures and regulations
- Spot inspections of facilities and records

Recognition of safe practices helps, too. Company and departmental recognition serve as local reinforcement while the NBAA Flying Safety Awards Program serves as a national incentive.

Safety as a theoretical concept does not sell well, but the daily exercise of an ingrained safety culture does sell. To determine the perceived level of safety culture within your flight department administer the insightful and telling survey, *Score Your Safety Culture*, at [www.tc.gc.ca/civilaviation/systemsafety/Brochures/tp13844/menu](http://www.tc.gc.ca/civilaviation/systemsafety/Brochures/tp13844/menu).

### **Safety Management System (SMS)**

Each aspect of a flight operation should be subject to oversight and control of the SMS. Policies, procedures, and standards used by the department must all fit together to achieve the desired goal of zero accidents and incidents. More correctly, the continuing safety goal for flight departments is to minimize risk to the maximum extent practicable. Doing this requires a comprehensive safety oversight program to determine that desirable policies, procedures and standards are actually being followed. (For more information about SMS, see [www.nbaa.org/safety](http://www.nbaa.org/safety) and [www.ibac.org/is-bao/isbao\\_sms.htm](http://www.ibac.org/is-bao/isbao_sms.htm).)

Elements of the SMS subject to performance measures will typically include adherence to:

- Applicable regulations
- Department policies, procedures and standards
- Training requirements
- Hazard reporting and investigation procedures
- Risk management processes
- Change management

The sum of all these elements, when correctly implemented, will describe safety performance. While it is possible to devise a comprehensive SMS using experience and reference materials available from NBAA and the Flight Safety Foundation, a system custom-tailored to corporate flight operations is available from the International Business Aircraft Council (IBAC), of which NBAA is a member. The International Standard for Business Aircraft Operations (IS-BAO) provides a comprehensive set of standards designed to allow corporate flight department to operate safely during worldwide operations ([www.ibac.org](http://www.ibac.org)).

Determining compliance with these elements is normally accomplished through the use of a safety management system external and internal audits.

### **Evaluation**

If the SMS is properly designed for a flight department's size and type of operation risk will be minimized and safety enhanced. Determining compliance with the SMS becomes the key measure of safety performance.

Many flight departments arrange for an external safety audit to be performed every two or three years by an outside aviation safety consulting firm. This company should well-versed in corporate flight operations and follow a detailed audit checklist applicable to the type of operation being investigated. A well-documented, detailed report should be generated by the consultant that will describe deficiencies as well as strong points in sufficient detail to determine actual performance. Finally, recommendations for change/corrections will provide the flight department with a roadmap to improvement.

Since the outside evaluator will visit only at lengthy intervals, an internal evaluation program must be pursued to provide a timely and ongoing view of safety performance. The willingness to critically investigate one's own operation will pay dividends in both safety and efficiency. This is normally done by using a detailed checklist similar to the one used by the external auditor, but divided into monthly or quarterly segments that permit an ongoing view of current operations. Results of these internal audit segments are formally reported both within the department and to corporate headquarters to provide all concerned with a continuing appraisal of safety performance. Again, results of the audits should provide a roadmap to improvement. (For more information about audit elements, see [www.nbaa.org/safety](http://www.nbaa.org/safety) and [www.ibac.org/is-bao/isbao\\_sms.htm](http://www.ibac.org/is-bao/isbao_sms.htm).)

Quantifying audits is possible through determining the number of elements in compliance against the total number investigated. But, the relative importance of individual audit elements carries more weight than mere numbers of check marks. Importantly, review of elements will likely lead to revealing root causes that may contain significant safety findings and consequences.

### **Customer Satisfaction**

The reason for the existence of the flight department is to serve its customers, passengers from the company and its customers. After safety, this should be the first priority of the flight department. While the wonders of on-demand air transportation easily outshine the inconvenience of scheduled air transportation, the concept of customer service is still an important element of performance. For, passengers receiving on-demand air transportation have options that go beyond whatever method they currently enjoy; in-house flight department, charter and fractional ownership are the three principal options. Importantly, passengers are not particularly wedded to any particular mode, only that which will provide the best service and value.



## Effectiveness

Effectiveness basically means getting the job done as advertised. Referring back to the mission statement, are you providing the service requested, on-demand air transportation service? While there are subsets to effectiveness, if the flight department is providing its services in a timely and quality manner, then mission accomplished. This is perhaps the most visible and understandable measure of flight department performance, therefore deserves the greatest level of attention once safety performance is adequately controlled.

*On-Time Performance* – Actual departure time versus scheduled departure time for each and every flight. This measure is essentially quite simple: if the flight schedule says that an aircraft will depart at 8 AM, if it does (within 15 minutes or so) then you can place a positive mark in the on-time column. The aggregate of individual on-time versus scheduled departures will provide a fraction or percentage value denoting performance. If a launch is delayed or cancelled the reason for the failure should be recorded for further analysis— mechanical, air traffic control, weather, etc. Most companies begin measuring the baseline departure at the scheduled departure time or when the senior passenger shows up, whichever comes last.

*Dispatch Rate* – Trips scheduled versus trips flown. A trip cancellation will cause a decrement in a perfect dispatch rate. A number of flight departments set a goal of meeting or exceeding a dispatch rate of 98 or 99 percent to provide their personnel with a target. However, for single aircraft operations this may be an unrealistic and difficult goal to reach; it only takes two cancelled launches per 100 trips to fall below goal. Yet, people easily identify with targets and often work hard to achieve them.

*Fulfillment Rate* – Trips desired versus trips scheduled. This is really a measure of the capacity of the flight department to fulfill the desired trips of legitimate requesters within the company. Tracking this measure over time will yield valuable insights regarding the ability of the department to complete its mission successfully. Care should be taken to ensure that all potential trips are recorded; soft or casual requests for flights that are initially unavailable must noted, along with “hard” trip requests that may not be fulfilled. The value of this information should not be underestimated.

*Aircraft Availability* – Days of month versus days aircraft available for use. There are times when the aircraft will not be available for use, typically times during which maintenance is being performed. Minimizing these unavailable times is an ongoing goal for all departments. Periods of scheduled maintenance activities can be altered to suit company travel needs. Scheduled maintenance could be done in advance of the designated period, for example, when no trips are scheduled, thus reducing the impact of planned non-available periods. Reduced availability times may provide valuable indicators of aircraft reliability, aging aircraft or inadequate maintenance resources.

*Crew Availability* – Days of month versus days a full-time flightcrew available for use. Vacations, training, illness and other administrative reasons occasionally make flightcrews unavailable for use. While contract flightcrews may be available to substitute for full-time personnel this is a measure of the adequacy of staffing within the department.

*Time Saved for Passengers* – Business hours used during airline travel process less business hours used during on-demand air travel

This performance characteristic compares the door-to-door time expended by an airline passenger with that expended during the on-demand air transportation process for a specific trip. The value can either be expressed as a number of hours saved per trip or an aggregate number of hours saved for a given period, normally one month. While this is difficult to calculate manually NBAA's TravelSense does it for each flight scheduled and creates reports for individual travelers and organizational aggregates.

## Efficiency

All methods of producing on-demand air transportation are relatively costly ventures. Minimizing those costs is either an implied or explicit goal for most companies. However, in minimizing those costs the concept of value provided must be considered. Therefore, efficiency within on-demand air transportation must be considered within the context of cost versus value. On a realistic and measurable basis a number the following characteristics are commonly tracked:

*Cost per Hour* – Total direct operating expenses per flight hour. Direct operating costs are those associated with actual aircraft operations – fuel consumed, maintenance performed, landing fees, catering, etc. Indirect or fixed costs are incurred whether the aircraft flies or not – personnel salaries and benefits, insurance, hangar expenses, etc. Measuring the costs of operation per flight hour is the primary measure of ongoing efficiency and is normally computed on a monthly basis and tracked over time for trends. Major trends in fuel and maintenance costs can be discovered within this measure. Calculating this value requires the cooperation of a company's accounting function to provide timely and accurately categorized expenditure information.

*Positioning Rate* – Flights occupied by passengers versus no-passenger flights. Aircraft sometimes must be repositioned without carrying passengers to accommodate additional passenger-carrying flights. Occasionally they are used for crew training or post-maintenance check flights. The ratio of “revenue” versus “non-revenue” flights yields a measure of relative efficiency. Tracking the positioning or deadhead rate will yield interesting insights regarding operational efficiency but there should not be undue concern when the rate fluctuates. For instance, a higher positioning rate may indicate increased effectiveness due to the accommodation of additional trips for passengers located in different cities on the same day.



Single data points should be avoided. For instance, a \$1,450 cost per hour for an aircraft carries little significance unless compared to last month's or year's value. This trend information may either employ graphical or tabular displays and should compare current data with some relevant former period or forecast value.

While corporate flight department and data capture software normally have the capability of producing scores of reports,

building reports germane to the corporate culture and suitable for report recipients are key features of effective reporting. Consequently, recurring discussions between flight department and corporate management regarding report format and needs is an essential part of department management and administration.