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4th Quarter 2008

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Cutter Aviation Keeps It All in the Family

By Paul Seidenman and David J. Spanovich

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In an industry where mergers and acquisitions have become the norm, one FBO operator has resisted the temptation to sell out. Cutter Aviation, which currently operates a regional chain of eight locations in the American Southwest, has not only remained independent throughout its 80-year history, but the company is still owned by the same family and operated under the same name.

Staying Profitable in Today's Uncertain Economy

By Colin Bane

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Wildly fluctuating fuel prices, a roller-coaster stock market, the worst recession on record, and the changing of the guard in Washington all present tremendous challenges throughout the aviation industry. Still, where there is challenge there is opportunity, and staying profitable in today's uncertain economy means a return to proven business principles.

Lessons Learned: Insurance Isn't the Only Answer

Simple risk management techniques can save lots of money and aggravation by avoiding common mistakes around your FBO. NATA risk management consultant Jim Strang shared his views on aviation insurance in the Spring 2008 issue of *ABJ*. In this installment, he cites examples of typical accidents and claims and discusses how to avoid them and their resulting problems.

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Stabilizing Stalled Student Pilot Starts

By Paul Seidenman and David J. Spanovich

At a time when general aviation business has been buffeted by high fuel prices and a slowing economy, it's easy to overlook what many see as the most significant threat to the industry's future: the overall downward trend in the number of active pilots and the number of people entering pilot training programs.

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Change Is in the Wind

By James K. Coyne

Elections make a difference. They always bring some changes, but this year's political victors have relied on this ambiguous word more than ever before. The public thus knows one simple fact: Change is coming. But can anyone really define what those changes will be?

Pilots sometimes see change from a different, loftier point of view. A big cold front, for example, can cause havoc at ground level as warm, southerly winds give way to a fierce arctic blast from Canada, but at 35,000 feet the front's effect will be more subtle, with only a slight shift in the jet stream and modest temperature adjustments. The meaning of "change" depends a lot on where you sit.

Aviation businesses are now sitting in an economic and political fog, where no one knows what to expect. Will Washington veer to the left, will Wall Street find its footing, will aviation businesses take off again or have to hunker down and find ways to weather the coming storm? Everyone is talking about bailouts, but the bailouts so far haven't done much good. Anyway, "bailing out" has never been the preferred course of action in aviation, and I wonder if that's the kind of change we really want from Washington.

Growing Role for Government

One thing is clear, though: Government is going to play a bigger role in our lives. The Obama Presidency seems eager to grab the levers of power and push our nation out of recession, out of war, and out of despair. The first order of the day, almost certainly, will be more spending. The only unanswered question is: Where will the money come from?

A federal fiscal train wreck seems inevitable after these recent months of almost random reactions to the crash on Wall Street and the housing and credit collapses. A trillion dollar annual deficit in 2009 and beyond is hardly the kind of change that will build confidence in our government, our dollar, and our economic system. Defi-



cits like these may now be unavoidable, and their impact on our industry and our economy will be profound. Such change can be very scary.

This kind of "change" will almost certainly mean an unprecedented search for more federal revenue, higher taxes "on the rich," and more and more government "user" fees—a nightmare that has haunted the business aviation community for decades. Even worse, the argument will now be made that these "user" fees must be reallocated to more politically "worthy" transportation modes or priorities like transit, rail, or highway maintenance.

I think we can predict that a more liberal House and Senate will embrace this redistributive fiscal

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Of course, change in Washington is rarely fast, free, or effective. The process that implements politically inspired change isn't designed to run smoothly or gracefully (comparisons to sausage manufacturing are unfair to butchers) and usually produces unintended consequences that can derail the most carefully structured "agenda for change."

President's Message

Continued from page 7

agenda, so aviation will have to fight harder than ever to defend the Aviation "Trust" Fund from raids by highway, transit, and auto-industry-bailout appropriators. Unfortunately, the "change" we may see is likely to be less investment in aviation, less pressure for ATC modernization, and more fees to cover the cost of controllers, inspectors, licenses, and certification.

Beware Unintended Consequences

Of course, change in Washington is rarely fast, free, or effective. The process that implements politically inspired change isn't designed to run smoothly or gracefully (comparisons to sausage manufacturing are unfair to butchers) and usually produces unintended consequences that can derail the most carefully structured "agenda for change." The consequences of higher taxes on the wealthy, for example, may do more to delay the nation's economic recovery than whatever benefits the redistributive government spending might provide.

Still, hopes for the new administration are high,

and President Obama deserves time to demonstrate what "change" really means. He surely knows that his soaring rhetoric must be matched by a realistic set of economic programs that build confidence in credit and housing markets, in government, and in our global economic system. But hopefully he will interpret his mandate for change as a plea from the voters to make the government work better—and aviation would be a good place to start. The FAA needs to change, the TSA needs to change, the ATC system needs to change, the ownership rules in aviation need to change, the preferential treatment given to the airlines needs to change, the regional regulatory checkerboard needs to change, the irrational security rules need to change, the unwillingness of Washington to promote aviation needs to change, and all the hassles, delays, inefficiencies, waste, and don't-give-a-damn attitude that we face in our over-regulated world of aviation need to change.

If just some of that changes, it will be a change for the better.



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What to Expect from the Obama Administration

By Eric R. Byer

Write this on the morning after Election Day, and we now know that our next president will be Sen. Barack Obama (D-Ill). Clearly this landmark occasion will change the Washington landscape on a number of fronts. Policy changes will be front and center, and aviation will certainly be affected by this leadership change. Much will unfold over the coming weeks as the Bush administration and the new Obama administration transition and President-Elect Obama takes the oath of the presidency on January 20. Obama will certainly announce new cabinet secretaries and then look to nominate leaders of key posts important to aviation, including the FAA administrator and the TSA assistant secretary. It is too early to tell who these new leaders will be, but we do have an inkling of the policy directions that the new Obama administration may take.

Following is a brief synopsis of some major policy changes we will likely see with the new Obama administration.

Taxes

Clearly, user fees will be a pivotal topic of discussion during the FAA reauthorization debate in early 2009. President-Elect Obama has not officially weighed in on how to fund the FAA. In response to AOPA's presidential questionnaire, Obama stated, "I believe we must continue to use an appropriate mixture of reasonable taxes and fees to fund the FAA." As I stated in my fall column, an Obama administration could more likely be an opponent of user fees than an advocate. The National Air Traffic Controllers Association, which has aligned with the general aviation community against user fees, endorsed Obama, giving him a large constituency of support. Rattling their cage would not endear him to this base. Obama's Illinois colleague in the Senate, Richard Durbin, also has been against user fees and has a substantial, direct influence on Obama. However, the Clinton administration had a history of recommending user fees in their annual

budget proposals in the late '90s. The verdict is still out on this topic, so time will tell.

GA Security

The TSA's recent release of the Large Aircraft Security Program has created an interesting policy-making paradigm. A proposed rulemaking under a Republican administration will now be carried out under a Democratic administration. Democrats on Capitol Hill have been fairly vocal that there continue to be loopholes in general aviation security. The press has certainly latched onto this belief and in many ways has driven this agenda. These two factors alone may steer the Obama administration's course. Whether the administration follows through on this rulemaking remains to be seen. My guess is that the proposed rule will continue to track the same course it would have under another Republican administration.

Unions

Traditionally, upholding and further bolstering union rights have been key components of Democratic administrations. This will likely be the case under President Obama. The air traffic controller agreement that was forged under the Bush administration will likely be re-opened for consideration during FAA reauthorization discussions in early 2009. A long-term bill has yet to be approved, and with the Democrats now holding both chambers of Congress and the presidency, the controllers will surely push for better benefits and employment conditions. The pro-labor movement will also likely push to unionize the TSA screener workforce that has been prohibited to unionize under the Bush administration.



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Environment

For NATA members, new environmental mandates established by the Obama administration will surely be of greatest concern. For weeks, political pundits and environmental groups have stated that proposals have already been scripted by the Obama administration to tighten environmental restrictions. We will likely see proposals amending the Clean Air Act to curb greenhouse gas emissions that could be on par with mandates established by the European Union. Amending the Clean Water Act will also be a topic of great debate. Representing an industry that will soon be required to comply with a new Spill Prevention, Control & Countermeasures mandate, the association will closely monitor any new proposed changes to the July 1, 2009, implementation deadline.

Energy

Energy is one area that is anyone's guess. Fuel prices are dropping through the floor, and many anticipate that by Thanksgiving gas at the pump will be below \$2.00/gallon. But everyone knows that the current drop does not address the issue of our reli-

ance on foreign oil. Expanded drilling off the coasts of the United States is still a very real possibility. New alternative fuel programs will surely be part of the energy equation set forth by the Obama administration, as well.

Economy

Last but certainly not least, a new economic recovery/growth plan is likely to be first on President-Elect Obama's agenda. Given that previous first-term presidents have been given a six-month "honeymoon" period to advance their agenda and that Congress will be controlled by the Democrats, we will surely see a number of new economic plans enacted into law within the first six months of 2009. NATA will closely monitor these economic plans to ensure that the impact on aviation businesses is positive.

Make sure you keep abreast of all the latest Obama administration and congressional developments by visiting www.nata.aero. As always, NATA members wanting to learn more on policy issues affecting their business can contact me directly at ebyer@nata.aero.



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Plan to Attend NATA's Air Charter Safety Symposium

By Russ Lawton

The top ten safety issues facing the charter industry will be the focus of the second annual Air Charter Safety Symposium, March 3-4, 2009, at the National Transportation Safety Board Training Center in Ashburn, Va. Presentations will focus on a variety of topics of interest to Part 135 charter and shared aircraft ownership providers and will provide attendees with tools they can take home and implement in their own operations. I encourage safety professionals, crewmembers, directors of operations, and all levels of leadership to attend the symposium.

National Transportation Safety Board Members Debbie Hersman and Robert Sumwalt are featured speakers. Hersman will present an overview of safety within the industry, and Sumwalt will give insight into how to sell the Safety Management System concept to top management and company owners.

Speakers will discuss how to develop and implement an FAA-approved Aviation Safety Action Program (ASAP) and how to develop a disaster management plan for your company.

Starting an ASAP program presents many challenges, including logistics, manpower, employee engagement, and technology requirements. However, the safety benefits of having such a program, where employees provide safety event reports that would have oth-

erwise gone unknown to management, are well documented, and more operators are beginning to capitalize on this valuable tool.

Since the TWA 800 accident, airlines have been required to develop a robust program to ensure that following an accident the families of victims are treated with the appropriate level of care. While these disaster family support plans are not required for air charter and managed aircraft, the

need to prepare for such tragedies to provide timely, accurate information and assistance demands that all aircraft operators develop and implement such plans. Symposium attendees will learn the fundamentals of why and how to prepare disaster support plans.

During the symposium, the Air Charter Safety Foundation will announce its "Top 10 Safety Action Items," developed with the founda-

tion's Board of Governors, outlining areas where there should be safety improvements, increased study, or specific action to implement existing concepts shown to improve safety.

Be a part of this productive, educational, and even entertaining event. More information and online registration is available at www.acsf.aero/symposium. We look forward to seeing you and your colleagues in March!



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NATA Convenes Business Aviation Roundtable

At NATA's 2008 Business Aviation Roundtable, November 10-11 in Washington, D.C., industry leaders met with a variety of senior federal officials to discuss aviation issues in relation to the changing economic times. "In the twelve months since our last roundtable, the world's economy has been turned upside down," said NATA President James K. Coyne. "Some call it a crash; others see opportunity. Whatever the future holds, our skills as business executives in a cyclical industry will be tested as never before."

More than 80 of those business executives attended the roundtable, a record turnout for the event, and featured speakers included former Federal Reserve Chairman Paul Volker (below left), Transportation Secretary Mary Peters (inset above), and former Congressman and HUD Secretary Jack Kemp. The meeting with Peters was held at the historic Old Executive Office Building (above), next to the White House's West Wing.

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Left, Vice Admiral Thomas J. Barrett, Deputy Secretary, U.S. Department of Transportation, and Robert Sturgell, Acting FAA Administrator, enjoy a little give and take with NATA members. Far left, Jack Kemp imparts wisdom gleaned from years in Congress, the federal branch, and professional football.



Above, former Chairman of the U.S. Federal Reserve Board of Governors Paul Volcker, a key advisor to President-Elect Obama, shares his views on the nation's economic future. Left and below left, U.S. Department of Transportation Secretary Mary Peters led a group discussing aviation security issues with NATA members at the historic Old Executive Office Building.



Below, NATA President James K. Coyne addresses roundtable participants. Below left, Hon. Edward Stimpson, Chairman of the Flight Safety Foundation, offers insights on the FAA's approach to safety.



Right, Jeanette Quay of Worldwide Flight Services and Todd Duncan of Duncan Aviation pay rapt attention during NATA's Aviation Business Roundtable. Far right, Brian Foley, President of Brian Foley Associates, gazes into the future during his *2008 & Beyond* presentation.



Above and right, Kenneth Wainstein, Assistant to the President for Homeland Security and Counterterrorism, receives a plaque from NATA President Coyne honoring federal employees for their efforts to keep the skies safe over the last seven years. Wainstein also announced that the Transportation Security Administration will extend the Large Aircraft Security Program's comment period by 60 days.



Right, Northern Jet Management's Charles Cox (far right), makes a point during the White House Roundtable along with Dennis Keith (center) of Jet Solutions and James Christiansen of NetJets. Below and below right, During the roundtable, NATA honored outgoing AOPA President Phil Boyer, who discussed the state of the general aviation industry with the participants.





Above, NATA members at the roundtable conducted serious business but also found time to enjoy our nation's capital and the company of their colleagues from around the country.



Left and below, Roundtable participants are kept in stitches by the political satire of the Capitol Steps, a troupe whose performers have worked in a total of 18 congressional offices and represent 62 years of collective House and Senate staff experience.





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Cutter Aviation Keeps It All in the Family

By Paul Seidenman and David J. Spanovich

In an industry where mergers and acquisitions have become the norm over the past decade, one FBO operator has resisted the temptation to sell out. Phoenix, Ariz.,-based Cutter Aviation, which currently operates a regional chain of eight locations in the American Southwest, has not only remained independent throughout its 80-year history but is still owned by the same family and operated under the same name.

Founded in 1928 at a small airfield in Albuquerque, N.Mex., by William P. Cutter, the company literally grew as general aviation expanded. During World War II, Cutter Aviation provided basic training to naval aviators as a designated U.S. Navy Combatics School. While no longer in the pilot training business, the company's businesses today range from fuel and other FBO services to aircraft maintenance, sales, management, and charter, and its workforce totals 320, of which 100 are maintenance technicians.

Cutter Aviation began its transition to a multi-

location business in 1959 when it relocated its headquarters to Phoenix-Sky Harbor International Airport, where it also acquired an FBO. In 1982, Cutter Aviation expanded further by opening an FBO at El Paso International Airport. Expansion continued during the 1990s as facilities were added at San Antonio International and Phoenix-Deer Valley Airport.

Since 2000, the company has expanded further into Texas and Colorado, adding an FBO at Dallas Executive Airport in 2002 and at Dallas/McKinney (Collin County Regional Airport) in 2006. In that same year, the company also acquired an FBO at Colorado Springs Airport. While Cutter Aviation still operates out of Albuquerque, the facility has for many years been located at the city's modern International Sunport.

Except for San Antonio, which is exclusively devoted to aircraft maintenance, Cutter Aviation continues to operate FBOs and fueling facilities at all of its locations.

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Cutter Aviation

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Will Cutter, company president and CEO and the grandson of its founder, noted that as the wave of consolidations swept over the FBO industry in recent years, “some serious conversations with investors” who approached the company did take place. “But we never really pursued them very far,” he said. “Perhaps one of the reasons why I wouldn’t consider selling the business today is that I just turned 50, and I don’t really know what else I would want to do.”

In fact, he pointed out that his father, Bill Cutter, remains chairman and is still active in the company. “He still comes in almost every day,” Will said. “In addition, my own children could be interested in joining us some day, so we want to continue to develop this as a family-owned business.”

The company’s longevity can be attributed to its business philosophy, Will Cutter explained, which differs from that of the private equity firms and other investors who have taken control of FBO operations.

“We have built our business by looking at the long term and do not focus on profit from month-to-month or quarter-to-quarter,” he said. “That’s the

big difference between us and those who run the investment funds that buy FBOs.”

But the high fuel prices of the past year did create a challenging business climate, even for a well-established, 80-year-old company.

“With fuel prices, frankly, going up on an hourly basis at one point, it was very difficult to quote prices for a (charter) trip,” Cutter said. “At one point, between March and July, our charter business dropped by about 75 percent.”

Fuel sales also suffered, he reported, declining by as much as 20 percent in gallons pumped during the summer of 2008—when prices were at their highest—compared to the same period of 2007. “Both corporate and owner-flown aircraft flew less, and at one point, we were hearing about more people looking to sell their aircraft because they couldn’t afford to keep them flying,” Cutter said.

Still, he said, with the October reduction in fuel prices, the drop in sales had fallen back to about 11 percent as more people started flying again.

Cutter Aviation sells fuel under the ConocoPhillips Phillips 66 brand at six of its FBOs and under the AvFuel banner at McKinney Airport. At all



The iconic tower was first the air traffic control tower at PHX and was saved by Cutter in the late 1970s when a new tower was built.

locations, the company pumps Jet A and low-lead 100 avgas. Some of the locations are now seeing improved fuel sales.

"We are seeing a 15 percent increase in fuel sales at McKinney because more general aviation operations in Dallas are moving to the outlying airports," Cutter said. "At Colorado Springs, we're up about 10 percent because upgrades that we made to our ramp and our refurbished FBO lobby are attracting more transient business."

On the other hand, Cutter noted a 40 to 50 percent drop in sales at El Paso, which he blamed not only on the economy, but on a huge increase in violent crime, particularly on the Juarez, Mexico, side of the border. "That is causing a number of factories to shut down there and reduced business flying to the area," he said.

Along with fueling general aviation aircraft, Cutter Aviation provides into-plane fueling for transient military aircraft, mainly at its Phoenix and Albuquerque facilities. The company also bids into-plane fueling contracts yearly for major cargo carriers such as FedEx, UPS, and BAX Global. "That is a very competitive business," Cutter stressed. "Given the amount of fuel they purchase, a quarter of a cent per gallon can make all the difference."

Facility Upgrades Boost Business

Fuel sales are also expected to further improve throughout the Cutter Aviation network as the company implements ongoing facilities improvements. Under current planning, an additional 20,000 square feet of hangar space will be added at Colorado Springs in 2009 to accommodate more tenant aircraft as well as anticipated demand by transient aircraft operators, especially during the winter months. Also in 2009, some 40,000 square feet of hangar and office space is slated for McKinney. The largest of the additions, however, will be at Deer Valley, where Cutter will add some 68,000 square feet of hangar space next year as that airport continues to gain popularity in the Phoenix area.

"Over the next five years, it is likely we will also be adding more hangar space at Phoenix Sky Harbor and at McKinney," Cutter said.

The company's ongoing refurbishment program and high operational standards have not escaped the notice of the demanding fractional ownership plans. As examples, Bombardier's FlexJet program has given "Preferred FBO" status to all of Cutter Aviation's FBOs, as has Flight Options. As Cutter noted, NetJets has done the same at some locations in the network.



William P. Cutter accepting the 100th Beechcraft sale to Cutter Aviation from Walter Beech in the 1950s.

Along this line, Cutter Aviation recently announced a partnership with the TransPac Aviation Academy (formerly the Pan Am International Flight Academy), which is located at Deer Valley Airport. Under the agreement, Cutter Aviation will provide facilities and technical staff, who will assist the academy's mechanics to carry out maintenance and inspection services on the flight school's Piper Archers and Seminoles. The academy will furnish all parts and equipment. Cutter Aviation is already the sole avgas supplier for the fleet.

Cutter reported that the company is planning to add two more FBOs in 2009. While he would not disclose the locations under consideration, he did say that one will be in Texas and the other in California, at airports with no commercial airline service. "They will be closer to where our customers want to fly in terms of where they live or business destinations," he said. Of the company's eight current locations, five are served by scheduled air carriers.

Any acquisitions, however, must be compatible with Cutter Aviation's total service business model and how well they will work as part of the network. The business model is diversified to the point where a third of the company's revenue is derived from fuel sales and hangar rentals, with an equal percentage collectively from aircraft sales, management, and charter and the remaining third from maintenance service, avionics, and parts.

"We look at the potential of locations to help our new aircraft sales as well as to support fuel, hangars, and maintenance, while most of the bigger players in the FBO industry look only at fuel sales and hangars," Cutter said. "If it appears that the facility meets our total service concept and has a [strong] local economy, then we will bring in the sales force and the people necessary."

He said that for any expansion, the company's focus will remain in the Southwest United States

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Ready, Set..

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Cutter Aviation

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for some very practical business reasons. "It's not only the growth area of the country, but if there is a problem at any of our facilities, I can get into one of our aircraft and be there within an hour to an hour and a half," Cutter said. "Also, I like to visit our facilities about every six months in order to get to know our employees, our customers, and the airport authorities we work with. It's a lot easier to do this when you are no more than a 90-minute flight away. That's why we have no interest in FBOs in Florida or New England or anyplace that would take much longer to reach."

Cutter, in fact, believes that opportunities for additional acquisitions in the Southwest could come from any industry consolidation fallout that could develop.

"Quite frankly, I see a shakeout by the investors who rolled up single FBOs and even chains in recent years," he said. "I think they will take a hard look at all their locations and consider spinning off those that are less profitable and don't contribute that much to the group. If there are any facilities like that in the Southwest, I would definitely say that we would be interested in looking at them."

Any acquisition, he said, would have to contribute in some way to Cutter Aviation's aircraft sales business, which dates back to 1947 when the company became a Beechcraft dealer. Since that time, it has added Piper and Socata dealerships and in January 2007, became the designated Honda-Jet dealer for the Southwest. About 75 percent of Cutter Aviation's sales are in new aircraft, with the remaining 25 percent, pre-owned.

As Cutter explained, the majority of the pre-owned sales are of trade-in aircraft, though at times the company will also acquire aircraft placed on the used market by outside parties. A type-rated pilot on the Beech King Air family, Cutter, who also serves as copilot in the Beechjet series, prides himself on flying every new piston aircraft the company sells.

"New aircraft sales probably present one of our best opportunities, especially given the extension (through 2009) of the bonus depreciation component of the recently passed economic stimulus package," Cutter said. "That will give people a tax advantage to acquire new capital equipment, which should stimulate [general aviation] aircraft sales."

Hangar facility at Cutter Aviation's Phoenix Sky Harbor location.



The Cutter Aviation facility at Albuquerque in the early 1960s, with the Cutter charter fleet lined up in front.



That not only means more airplanes will be sold, but we'll see increased fuel sales and hangar rentals. That's why we are spending our promotional dollars now on aircraft sales."

Still, building up the company's aircraft sales division is not without challenges. With Hawker Beechcraft's intention to make the sales of new-production Baron, Bonanza, and King Air products factory-direct by the end of 2008, Cutter Aviation will lose the valuable franchise it has held for more than 60 years.

"I respect their decision and wish them luck, but I'm not so sure it's a good idea," Cutter said. "Aircraft sales is a relationship kind of a business, and these are airplanes that are mostly owner-flown by people who have had a long relationship with their dealer. We will, however, continue to operate Hawker Beechcraft Service Centers at Phoenix-Sky Harbor, San Antonio, Dallas Executive, and Albuquerque and will refer people to the factory for new aircraft sales, on which we'll get a small commission."

As Cutter noted, the OEMs decision to move sales of its Hawker Beechcraft line in-house will "leave a gap" in the company's aircraft sales. Still, he is confident that this gap will be filled by sales of the HondaJet as well as sales of new Socata and Piper products. "We will also sell more pre-owned aircraft and will make up for the loss of the Beechcraft family," he said.

The company's San Antonio facility operates both Socata and Piper dealerships, while the Dallas Executive Airport location is responsible for Piper sales. The new HondaJet dealership will be based at the Phoenix and McKinney locations. For Cutter, this represents "an exciting opportunity" for the company.

"We are now one of the five U.S. HondaJet dealers, and in just the past two years, we have become the top dealer with the most orders and deposits to date," he said. "We are working with Honda to develop a revolutionary way of selling and supporting this product, and Honda is making sure that this is going to be done right." He added that first deliveries of the new aircraft are slated for the fourth quarter of 2010.

As a Piper dealer, Cutter Aviation will handle sales of the new single-engine PiperJet, which will provide room for one pilot and five passengers. "In terms of the market, this will be a step-up aircraft

for people flying other Piper products. We're looking for initial deliveries starting at the end of 2011," he said.

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Cutter Aviation

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On the pre-owned aircraft side, Cutter Aviation emphasizes light jets as well as single and twin turboprops and pistons from Beechcraft, Socata, and Piper.

Another area of predicted growth is Cutter Aviation's aircraft management and charter business. Doing business as Cutter Flight Management, the operation, which has an ARG/US Gold rating, plans to add five pilots and one dispatcher in 2009.

"That business is expanding, especially now that fuel prices have come down and our managed fleet is growing," Cutter said. In that regard, he pointed out that as of January 1, 2009, the managed fleet will consist of a Gulfstream II, Cessna Citation XLS+ , Citation XLS, two Hawker 400 XPs, two Beechjet 400As, a Beech King Air 350, King Air B200, King Air C90, and two King Air C90 GTIs. The aircraft will be based at Phoenix and Albuquerque.

The company's maintenance operation is also in an expansionary mode. In fact, Cutter said that during 2009, five service technicians and two avionics technicians will be added to the Dallas/McKinney FBO operation. The facility at Dallas Executive Airport is a factory service center for Socata and Piper in addition to Beechcraft. The facility also performs Lycoming maintenance, Pratt & Whitney-Canada PT6 hot section service work, and Raisbeck Engineering airframe modifications.

According to Cutter, the Albuquerque maintenance facility caters to a high-end general aviation clientele, offering airframe and powerplant services for turbine and piston aircraft, with a concentration on Hawker, Beechcraft, Pratt & Whitney-Canada PT6, and Teledyne Continental products. Its airframe specialties include King Air and Beechcraft

1900-series aircraft, Raisbeck modifications for King Air and Learjet products, and Blackhawk performance enhancements for the King Air family's PT6 engine and Hartzell props. Albuquerque also offers full service avionics upgrade and bench repair service, and is an authorized dealer for Garmin, Avidyne, and Aspen Avionics, among others.

Phoenix-Sky Harbor, now the largest of the current eight locations, is also a major maintenance provider for engines, including the PT6 and the Honeywell 731 product line. Phoenix is also an

authorized service center for the Williams International SJ44 engine and for engine overhaul specialist Dallas Airmotive, primarily for warranty work. It also holds authorized service center designation for Blackhawk. Customers at Phoenix-Sky Harbor also enjoy full-service avionics upgrades and sales offering the latest systems from companies such as Garmin, Avidyne, and Honeywell.

Engine and airframe service is provided at nearby Deer Valley Airport, mostly for single- and multi-engine piston aircraft.

At San Antonio, the company performs airframe and powerplant service for light turbine and turbo-prop aircraft as well as single- and multi-engine piston models. The San Antonio facility is exclusively a service location, with no FBO operation.

Except for line service at the FBOs, no maintenance activities are currently being carried out at El Paso or Colorado Springs. At those and all the other Cutter Aviation locations, line service technicians are certified yearly under NATA's Safety 1st Program.

Having gone through a Depression, a World War, numerous downturns in the economy, and a wave of general aviation industry consolidation, it might seem no less than a miracle that this long-standing, family-owned business is such a survivor. Perhaps the reason why is best explained by Will Cutter.

"By taking care of our customers and treating them as if they were personal friends and family, we have found that they will stick with us, even during periods of high fuel prices," he said. "We're not trying to gouge people, but rather make enough of a profit year by year so that we can keep the lights on and remain in business for another 80 years."

Staying Profitable in Today's Uncertain Economy

By Colin Bane

No two ways about it: These are tough times for FBO and charter operators. Wildly fluctuating fuel prices, a roller-coaster stock market, the worst recession on record, and the changing of the guard in Washington all present tremendous challenges throughout the aviation industry. Still, where there is challenge there is opportunity, and staying profitable in today's uncertain economy means a return to proven business principles.

"I'm not a negative guy, and I'll just say that up front, but this is more like the 'perfect storm' than anything we've seen and it's making things very difficult," said Charlie Priester, chairman of Priester Aviation. "These are definitely uncharted waters and a lot of factors are beyond our control, but I'm looking at it as a chance to be more efficient, make sure the quality of our products and services is high, and roll out aggressive new sales initiatives while we wait it out. There is always going to be a segment of the market where the need is there regardless of the economy because, quite simply, the airplane is a business tool. There's not going to be a change or downgrade of any kind in the quality of services the charters provide, and there's not going to be any change or upgrade in the services that the executives we serve could get from the airlines. We're going to continue to have a market, even—and maybe especially—in a down market. If anything, I think there might even be new customers and an opportunity to get a bigger bite of the apple."

Priester said he's advocating a rifle approach rather than a shotgun approach, and he believes FBO and charter operators can stay profitable by making their operations more efficient. He's adamant on one important point: Efficiency is about creating a higher quality product and service by making the most of the personnel and resources in place. It does *not* mean cutting corners and cutting critical workforce.

"What charters and FBOs are selling is service, and we have to remember that," Priester said. "You can't jeopardize safety, you can't jeopardize quality, and the strength of our industry is the service we provide. The key moving forward is to remember that our customers are going through the same recession we are and that our services help increase their efficiency. Senior management staff and executives from the companies we serve have to travel, and the simple fact is that commercial airlines are horribly inefficient."

At the recent NATA Seminar at Sea, NATA and the Aviation Business Strategies Group presented a series of workshops on building more successful FBOs. Chief among the topics, and echoing Priester's priority, was improving the customer experience to build customer loyalty. It sounds simple, but it's the key to surviving in this business, downturn or no. Satisfied customers are loyal, are willing to pay more for premium service, and help create new customers by promoting the brand. Building these relationships boosts long-term revenue and lowers the "churn" rate for finding and developing new customer relationships.

In his presentation, John Enticknap, principal in charge of Aviation Business Strategies Group, shared market research to identify the top six reasons FBOs lose business. "Lack of service" and "negative interactions

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John Enticknap told NATA seminar attendees that slashing critical workforce personnel is the wrong way to respond to an economic downturn. Instead, FBO and charter operators should focus on making more efficient use of their employees' time, rethinking employee scheduling, and offering bonus structures that promote savings.

Staying Profitable

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with personnel” topped the list, *ahead of* complaints about excessive fuel prices and service ramp fees. It’s that simple: FBOs with sloppy service and timeliness problems lose business. To weather the economic downturn, FBOs can beat out other competition and commercial airlines by offering premium service, paying attention to passenger needs, resolving ground transportation problems, and following up on customer requests.

The good news, even in these difficult times, is that there is low-hanging fruit as FBO operators seek to control expenses and increase revenue.

The easiest place to start is to invest in a comprehensive safety program like NATA’s Safety 1st Professional Line Service Training and NATA’s Safety 1st Management System. Investing in new training and safety programs can sound counterintuitive in a down economy, but there are tremendous savings to be realized for FBOs able to show insurance brokers the steps they have taken to prevent accidents.

To reach more low-hanging fruit, FBOs can easily add revenue to the bottom line managing and maximizing credit transactions, leveraging fee structures, and developing partnerships with credit card companies that offer incentives, tie-ins, marketing help, support and tools, and value-added benefits. Oil company loyalty programs can help provide stability to fuel prices, and new negotiations with vendors, suppliers, and airport leases can help control costs. Again, this is simple math: To survive, FBOs must make revenues higher than expenses.

In addition to some easy and effective ways to reduce expenses, there may also be opportunities, even or especially in a down economy, to seek out new sources of revenue.

Start close to home. Are there new services to be offered using existing resources, or other services (like aircraft detailing) that had previously been contracted out but could be offered using your existing personnel and resources? Are there fees that have previously been waived or services that have been offered free that your company could begin charging for?

Enticknap, Priester, and other aviation business leaders agree on one key point: Slashing critical workforce personnel is the wrong way to respond to an economic downturn. Instead, FBO and charter operators should focus on making more efficient use of their employees’ time, rethinking employee scheduling, and offering bonus structures that promote savings, Enticknap said. Outsourcing and employee leasing are options for FBO operators hesitant about bringing on new employees, but the consensus is that it’s worth keeping key talent in place in a downturn.

“When you’ve worked hard to recruit, train, and retain the top talent in the industry, it’s a tempting but obvious mistake to start making sweeping cuts in tough times,” Priester said. “The challenge is to support your staff, strive to get more out of them, and improve and diversify their strengths. Are there going to be corporate flight operations that won’t survive the recession? I’m afraid so. But I think we can survive on the strength and quality of the service we provide.”

Mark Willey, CEO of Bridgeford Flying Services, suggested taking a closer look at employee schedules and considering alternate routes for bringing on new people when necessary. “Know your busiest and slowest hours and schedule accordingly,” he



“These are definitely uncharted waters and a lot of factors are beyond our control, but I’m looking at it as a chance to be more efficient, make sure the quality of our products and services is high, and roll out aggressive new sales initiatives while we wait it out.”

—Charlie Priester, Priester Aviation

said. "This is a difficult exercise, as employees need to understand and be flexible. Hire some part-time employees that do not qualify for full-time medical, 401k, or vacation, and staff them together with skilled full-time employees. Give salaried staff one day off per week, and pay for 32 hours and/or place them on a wage freeze. Teach line techs to do some of the preventive maintenance and light maintenance on equipment, and consider outsourcing and reducing support staff in the accounting, payroll, and janitorial departments."

Willey also noted that an FBO's relationship with its fuel supplier can be critical to its success regardless of the state of the economy and industry trends. This relationship becomes especially symbiotic in difficult times. Keep in mind that the fuel service providers have a vested interest in the success and longevity of your FBO and that they share the same concerns and priorities as other companies in the industry around developing and maintaining relationships with their customers and priorities.

Mike Delk, president of Air BP Aviation Services, is another executive who sees opportunity in times of challenge. "Tough times help you focus," he said. "In good times you often don't scrutinize areas of cost and customer profitability like you do when things get tough. When the whole economy is going through a tough spell, it's an opportunity to readjust the culture of the company personnel to really hunker down, look at all costs, and make the tough decisions."

Delk and his company have been striving to keep control of one of the top concerns of FBO operators: fluctuating fuel prices. "We have focused on inventory management and lowering overall inventory levels so that price fluctuations have a lesser effect on overall earnings," he said. "We have also worked to employ hedging tools to dampen the effect of fluctuating prices. Although there has been a lower demand for fuel, we have not seen any change in demand for our services, but we are staying close to our customers and suppliers to monitor any such changes."

Delk said that all business operators should preserve cash and watch credit closely, but he added that the most important advice is to focus on customer service as much as ever.

"Stay very close to your customers to make sure they still feel you're providing a good value," he said. "Stay close to and take care of critical suppli-

ers. There is a lot of uncertainty in the marketplace, and you don't want to create a problem with a critical supplier unless you've got a certain backup. We will not make cuts that have a detrimental effect on the value we provide our customers. You need your customers, and you don't want to give them reasons to go to your competitors during tough times. It will be even tougher to get them back when the economy turns."

Most importantly, Delk and the other industry leaders interviewed advised taking a long view of any economic fluctuation and

"Tough times help you focus. In good times you often don't scrutinize areas of cost and customer profitability like you do when things get tough. When the whole economy is going through a tough spell, it's an opportunity to readjust the culture of the company personnel to really hunker down, look at all costs, and make the tough decisions."

—Mike Delk, Air BP Aviation Services



agreed that it's worthwhile for executives to step back and look at the difficult decisions aviation companies are facing in the short term in the context of a bigger picture.

"Challenging times like these are also opportunities long term," Delk said. "They force you to really look at the business in order to take the waste out and ensure you're providing a good cost-effective value that your customers demand. Many companies will not make the tough decisions necessary and will not survive to take advantage of the next up cycle. It's hard to look at the next up cycle when you're in the current economic times, but there will be one, and those that make the right choices now will be stronger and able to take advantage of it over the next several years."

Priester, ever the optimist, sounded a final note on surviving and thriving in an uncertain economy. "Pay attention to what the competition is doing, and not doing," he said. "What can your company offer that your customers are no longer getting from your competitors or from the commercial airlines and bigger airports? It's unfortunate but true that some companies are not going to survive this storm. Not to be crass about that fact, but it's also worth asking yourself how prepared your own company is to serve those new customers and fill those gaps when it happens."

Lessons Learned: Insurance Isn't the Only Answer

Simple risk management techniques can save lots of money and aggravation by avoiding common mistakes around your FBO.

NATA risk management consultant Jim Strang shared his views on aviation insurance in the Spring 2008 issue of *ABI*. In this installment, he cites examples of typical accidents and claims he has seen and discusses how to avoid them and their resulting problems.

Incident 1 - Wing Tip Damaged by FBO

What Happened: The FBO was performing maintenance on the owner's aircraft and prepping the aircraft for a long trip through South America with many stops. Work on the aircraft was completed, and during the early morning hours the FBO employee was instructed to tow the aircraft out of the hangar so the owner could board immediately upon her arrival. The tug driver did not have wing walkers, and the wing tip hit the hangar door, causing substantial damage. The owner had to charter an aircraft to depart on the scheduled trip.

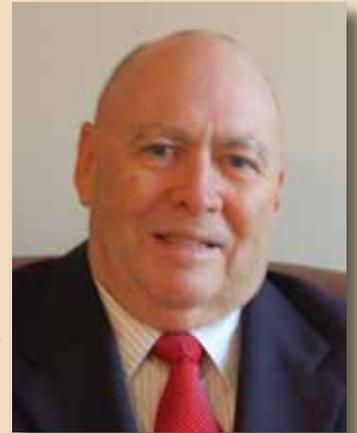
The Result: The FBO was responsible for damaging the owner's aircraft and for charters while the aircraft was undergoing repairs. This resulted in a claim exceeding \$1 million.

Risk Management Solution: If the FBO employee had been trained and certified under NATA's Safety 1st program and had called for a wing walker, this claim could have been prevented.

Incident 2 - Tail Damaged by FBO

What Happened: The aircraft owner hired the services of a handyman who performed work for many owners on an as-needed basis. Once the aircraft work was completed, the for-hire employee was finished with the tasks assigned by the owner. The owner's representative asked the FBO to tow the aircraft back into the hangar. The FBO sent a tug driver to tow the aircraft back into the hangar, and the driver asked the for-hire person to assist as a wing walker. The owner's representative was asked to push the button to open the hangar door, and the door proceeded to open upwards. The tug driver started towing the aircraft without waiting

for the door to open completely while the walker watched the wings. The tail struck the door before it completely opened, damaging the tail and the door. At the same time, the wing walker tripped and injured his leg. As an independent contractor, the for-hire person believed the FBO should be responsible for his injury. Even though he was not compensated, he agreed to work at the tug driver's instructions.



Jim Strang,
NATA Risk Management Consultant

The Result: The FBO hangar was damaged, the owner's aircraft was damaged, and the independent contractor was injured. The FBO had to pay approximately \$50,000 for damage to the hangar, the damage to the aircraft cost approximately \$260,000, and the FBO had to pay the medical bills of the independent contractor.

Risk Management Solution: Personnel must be trained to wait until the door is completely open and to not ask non-FBO employees to assist with the actions that are the responsibility of the FBO. The aircraft should not have been moved until the tug driver had the needed assistance for that aircraft.

Incident 3 - Hangar Burned Down

What Happened: The FBO rented a hangar from a city authority and carried only a minimum limit for hangar-keeper's liability to meet the city's requirements. Four aircraft and two automobiles were in the hangar when the FBO's janitorial service cleaned the hangar. A mop was left near a heater that was on due to low temperature, and the hangar burned to the ground. The FBO did not require the janitorial service to carry insurance. Thus when the aircraft and automobile owners approached the

FBO for reimbursement, the FBO had insurance of only \$5 million when the combined value of the aircraft and automobiles was \$20 million.

The Result: The FBO discovered the janitorial service had no assets, and the FBO was responsible for damage with only \$5 million of insurance. The aircraft and automobile owners sued the city and the FBO. The city had a statute that said the city was liable up to only \$25,000 in the event of an incident. Unfortunately, the FBO had to declare bankruptcy.

Risk Management Solution: The FBO should carry limits adequate for the total value of all aircraft in the hangar at one time. The FBO should have required the janitorial service to provide insurance for its negligence and obtained a certificate of insurance. The FBO should have known that the city was not going to be held responsible in case the FBO's insurance was inadequate.

Incident 4 - Directing Movement of Aircraft to Tie Down

What Happened: An FBO employee was directing an aircraft so it could be tied down. In doing so, the employee had the crew swing the aircraft around in such a manner that the blast from the jet engine caused damage to a smaller aircraft positioned behind it.

The Result: Although the amount of repairs the FBO was responsible for were fairly minimal at approximately \$40,000, the owner of the damaged aircraft was about to depart on a long trip. The extra expense of the substitute aircraft needed for charters increased the claim to \$80,000.

Risk Management Solution: FBO employees need proper training on directing the movement of aircraft and should have been aware that another aircraft was close by.

Incident 5 - Blue Water Accident

What Happened: The FBO over serviced the lavatory causing the contents of the holding tank to overflow into the cabin of the aircraft.

The Result: The cost of repairs, substitute aircraft needed for charters, and crew expenses incurred totaled approximately \$120,000. The aircraft owner was also concerned about diminution of value due to the incident.

Risk Management Solution: The FBO employees need the proper training for servicing a lav.

Except for the hangar fire, all of the above losses were adequately covered by insurance. These examples demonstrate that simple risk management solutions can keep an FBO from filing an insurance claim. In most cases, these solutions cost little and can keep losses down, which can result in lower deductibles and premiums.

Incident 6 - Payroll Service

What Happened: An FBO used a third party to process its payroll as many small- to medium-sized businesses do.

The Result: The FBO discovered the payroll vendor paid the employees but did not pay the IRS, leaving the FBO with a tax amount due of approximately \$300,000. The payroll processing company took this money and closed its doors. The FBO had purchased crime insurance covering employee theft but did not purchase coverage for theft by third-party vendors. The claim was presented to the insurance company. The claim was denied, leaving the FBO without insurance coverage.

Risk Management Solution: When contracting with third parties, do a thorough check to make sure they are financially responsible. Require them to provide you with certificates of insurance for liability and crime coverage with adequate limits. Also, ask to be an additional insured under the third-party's crime policy in order to have coverage for theft by its employees. FBOs should carry their own crime policy and endorse it to cover theft by third-party vendors.

Incident 7 - Valuable Papers

What Happened: An FBO had a customer's aircraft in for a pre-buy inspection. The logs and maintenance records were shipped to the FBO but were misplaced once there.

The Result: The FBO was held responsible for the \$300,000 cost to reproduce these documents. Without the records the aircraft dropped out of pre-buy. The owner was unable to use his aircraft and had to use charters until the records could be recreated.

Risk Management Solution: FBOs should carry valuable papers coverage with a limit adequate to reproduce records of aircraft in their care, custody, or control. FBOs also must set up procedures for handling and storing these valuable papers. 

Jim Strang is president of Strang Risk Management in Smithfield, Va., in the Hampton Roads area, and he has been providing aviation risk management solutions for 40 years.



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Stabilizing Stalled Student Pilot Starts

By Paul Seidenman and David J. Spanovich

At a time when general aviation business in the U.S. has been buffeted by high fuel prices and a slowing economy, it's easy to overlook what many see as the most significant threat to the industry's long term future: the overall downward trend in the number of active pilots and the number of people entering pilot training programs.

According to FAA statistics, the total number of active U.S. pilots (those holding a pilot and a medical certificate) was 618,298 in 1998, and the student pilot population was 97,736. By December 2007, the active pilot population had declined to 590,349, and the number of student pilots had slipped to 84,339. Holders of the Private certificate, generally considered the entry-level license, stood at 211,096 at year-end 2007, down from 247,226 a decade earlier.

"Before 1980, the OEMs (original equipment manufacturers) and the FAA very enthusiastically supported general aviation, because the industry was producing literally thousands of single-engine airplanes each year," said John Lotz, chairman, president, and CEO of Monterey Bay Aviation in Monterey, Calif. "But when production of those airplanes all but ended in the U.S., the promotional efforts stopped."

Lotz pointed out that even today there is no significant industry effort to promote general aviation to those who may want to learn to fly. "The indus-

try has focused its attention more toward corporate aviation and away from the owner-flown market," he said.

That emphasis on the high-end corporate market may also be keeping a lot of people from even considering the possibility of flight instruction. "We lost an entire generation," said Dale Klapmeier, co-founder and vice-chairman of Duluth, Minn.-based Cirrus Design. "Seeing the very expensive [business] airplanes, the kids who have grown up since the 1980s have gotten the impression that flying is something that would be totally out of reach. Their feeling is, why bother learning to fly when you are not going to be able to afford to buy airplanes like this."

He said that had this not been the case, this "forgotten generation" would be buying airplanes today. "Now, we have to start over, and that means having to educate younger people and even those who are in their 40s about the value of general aviation as an alternative to driving and using the airlines. As an industry, we are not doing a very good job of that."

But for many potential student pilots, the biggest obstacles are the time and cost involved with training, according to Tom Aniello, vice president marketing for Cessna Aircraft Company in Wichita, Kans.

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Student Pilots

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“On average, it takes about 50 to 65 hours to get a private license, and that normally gets spread out, especially if the student is a working professional. It’s not unusual for someone to take six to twelve months to get the private license,” Aniello said. “Also, with aircraft hourly rental rates running between \$95 and \$125—and as much as \$150 per hour for a brand new, glass cockpit aircraft—you’re looking at spending over \$10,000.”

Competition from Boats and Bikes

Given these factors, Aniello said that many other activities now compete for the time and discretionary dollars that might be devoted to flight training. “We have found, for instance, that boating and motorcycling are probably the main competitors to flying. They cost less to get into, are more accessible, and there is less of a learning curve,” he said.

Victor Veltze, a marketing representative for Frasca International in Urbana, Ill., agrees. “Unfortunately, the average flight school has a hard time competing with a Harley or a BMW dealership,” he said. “That is their real competitor for the hobby pilot, not the school down the field.”

Interestingly, even the equipment used to train new pilots can discourage those who do show an interest in learning to fly, said Cirrus Design’s Klapmeier. “The industry has not produced a purpose-built trainer for the general aviation market in more than 30 years, which means that most of the two to three seat trainers in service today were last built in the 1970s,” he said. “When people go out to an FBO or flight school and they see something that looks like an antique, often with torn and patched upholstery or maybe instruments that need to be replaced, they’ll turn around and leave. In fact, we lose a lot of new student pilots because of the available equipment—even more so than the cost.”

According to Robert Massari, director of operations for Bridgeford Flying Services and its Actus Aviation affiliate in Napa, Calif., the cost of flight

training is the deciding factor for many. “We are not targeting young people as much because flying instruction involves a greater financial commitment than most other careers,” he said. “Especially in these tough economic times, the cost of training often prevents people from even making the first call.”

Unfortunately for most flight schools, very little can be done to reduce some of the extraneous factors impacting high operational, and therefore training, costs, such as escalating insurance premiums.

“In some cases, there are flight schools that are paying as much as 30 percent more for coverage because they are paying the post-9/11 terrorism premium,” said Dr. Bruce Smith, dean of the University of North Dakota’s John D. Odegard School of Aerospace Sciences in Grand Forks. “And, of course, fuel costs have gone up. Because of declining enrollment, some schools have been forced to spread increased costs over fewer students, so the training rates [per student] have increased.”

In conjunction with this has been the well-publicized financial problems of the airline industry and the message it is sending to many young people who otherwise might have considered a professional flying career. “They now view this as a risky kind of profession, especially in view of the media coverage of layoffs and pension terminations,” said Louis Smith, president of FltOps.com, an online aviation information and resource service for professional pilots, based in Hiram, Ga.

Smith estimates that half of the students who enroll at a typical flight school, such as one operated by an FBO, might be considering careers as professional pilots. But of that number, only about 10 percent will pursue it seriously to the end.

“In most cases, the students ultimately decide to learn to fly in order to operate their own airplane,” Smith said. “Also, maybe 50 percent drop out before completing their private certificate because they find they can’t make the commitment to do this.”

For those wanting to pursue a flying career, FltOps.com estimates an average cost of \$69,031 (U.S. 2008 Dollars) for completion of training through the Multi-Engine Instrument and Certified Flight Instrument Instructor certificates. This estimate was predicated on a survey of eight FAR Part 141 flight academies (other than universities) specializing in professional pilot training and includes tuition, books, and living expenses over an average nine-month period. To afford this, many students must fall back on student loans, which Smith noted have become increasingly difficult to get in today’s economy.

Frasca International's Victor Veltze cited an average cost range for a professional pilot training course of between \$40,000 and \$80,000, much of which is underwritten by student loans and other financial aid, which is harder to come by, he confirmed.

"Schools that have become dependent on this source of funding will have a hard time, and I am afraid we will be looking at more school closures. That will create additional hesitation [by students] to enter the field. We need to be realistic and consider that there are many lucrative careers—other than flying—out there, which is the real competition."

Mike Yocum, founder and vice-president for business development of the Regional Airline Academy in Deland, Fla., said that because there is a perception that hiring opportunities for professional pilots are virtually nil and that airlines do not offer secure employment, few people are even coming through the instructor pipeline.

"Flight schools are finding it very difficult to hire or produce instructors," he said. "The enrollments of domestic students are down, and a number of schools are surviving by training students from outside the U.S. to fly. However, that has been a very difficult market to cultivate because visa requirements have been tightened. When a student from a foreign country applies for a visa and says that he or she wants to take flight training that raises a red flag."

Better News at Universities

Interestingly, while companies offering stand-alone flight training programs have seen an overall decline in student enrollments, some colleges and universities that offer flight instruction as a component of a four-year degree program are reporting just the opposite.

For instance, Dr. Frank Ayers, chairman of the flight department at Embry Riddle Aeronautical University in Daytona Beach, Fla., pointed out that interest in the school's flight training program remains strong. "These are students who want to go to a four-year university," he said. "They come here with a career as aviation professionals in mind, rather than just learning to fly. At the end of four years, they have all the pilot ratings as well as a degree, which gives them an advantage in terms of job prospects."

The University of North Dakota's Bruce Smith said that a degree program is a "major draw, which gives a university-based flight training program a

distinct advantage" over a stand-alone flight school.

"About 90 to 95 percent of the students [who enroll in the Aerospace Sciences Program] come here because they are seeking professional flying careers," he said. "Although we include 250 hours of flight training, in four years our students will take more courses from the liberal arts side of the program and end up with the benefit of a college degree. Those looking to fly for their own personal use or for fun generally go to flight schools operated by FBOs."

But the fact is that most flight training is carried out by organizations that don't offer a degree program, which means that reversing the declining enrollment trend may require an industry commitment, along with some creative thinking, such as revisiting the concept of programs specifically designed to interest young people in flying.

As Monterey Bay Aviation's John Lotz noted, outreach programs, such as the now-defunct "Be A Pilot," have been tried, but not always with great success. He believes that the reason for this is a lack of understanding about the potential flight training market to start with.

"Right now, the industry simply does not have the data in place to know what forms outreach programs need to take or even what the market potential is in terms of recruiting new student pilots," Lotz said. "As an industry, we need to do more market research to understand how to tailor our promotional programs. Once we complete that research, we can then apply our promotional dollars more efficiently. But, it has to be an industry-wide effort."

Lotz also stressed that the research has to take into account the non-pilot who might want to learn to fly. "We have to find out what it will take to recruit that person to flight training initially and then to keep him or her interested enough to go through a full pilot training course."

Bridgeford Flying Services' Robert Massari agreed, stressing that industry involvement should include

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Student Pilots

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“all companies tied to the GA industry,” such as OEMs, vendors, and GA groups. “They all need to step up their involvement,” he said.

Along this line, Massari suggested that the industry create more internships in aviation for students, beginning at the high school level. “High school students need a head start on what life is like beyond college in the workforce, and an internship [in aviation] at their age would give them some insight. Many veteran pilots once worked at airports washing planes and have cited that as part of their ability to learn about the industry.”

More Help Is Needed

He said that there may also be a role for government, even though he believes that is not likely to happen. “It would be nice to see the government get more involved because it could help with finding more funding alternatives for prospective students,” he said. “There needs to be funding outside of the typical loans, such as more available scholarships, grants, and very low interest, low payment loans with forgiveness programs like school teachers receive. Also, if we could get colleges to work with local flight schools to promote an aviation program, that would be a great step. The colleges typically already have a recruitment program in place for their institution.”

Because the overall cost of flight training is based on the number of hours flown, a major step toward mitigating this issue was taken on September 1, 2004, when the FAA instituted the new Light Sport Aircraft Airworthiness Certificate in conjunction with a new rating, the Light Sport Pilot Certificate. Unlike the Private Pilot Certificate, which requires a bare minimum of 40 hours of flight time and an FAA third-class medical certificate, the Light Sport Certificate can be achieved in as little as 20 hours. With a valid drivers license, no medical certificate is required.

Viewed as the “new entry-level certificate for pilots,” time accumulated in light sport aircraft may be credited toward more advanced ratings. As of October 1, 2,402 Light Sport Pilot certificates had been issued, according to an Oklahoma-based FAA spokesman.

Tom Poberezny, president of the Oshkosh, Wis.-based Experimental Aircraft Association (EAA) feels that the new rating could make a major contribution to efforts to stop declining flight school enrollments. “On average, it takes about 65 hours to get the Private Pilot’s license, but the Sport Pilot certificate can be achieved in about 30 to 40

hours. It requires the same level of safety and high standards required for the Private certificate,” he explained. “When you consider that as many as 70 percent of students who commence pilot training drop out before they get their Private certificate, we see the Light Sport Pilot certificate as enabling more people to learn to fly in less time and at less cost.”

Cirrus Design’s Dale Klapmeier noted out that this was exactly what the OEM had in mind when it announced its new, two-seat, single-engine SRS at the EAA’s 2007 Air Venture show in Oshkosh. Production of the aircraft, which is designed to be certified as a light sport aircraft, is slated to begin in the next 12 to 18 months.

“With the design of the SRS, we tried to identify and go after the reasons why people don’t want to learn to fly and are trying to create an aircraft that the non-pilot will want to train in,” he said.

Cessna’s Tom Aniello predicted that the OEM’s

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new twin-seat Cessna 162 SkyCatcher light sport aircraft will become the "next generation primary trainer." Introduced at the 2006 EAA show as a proof-of-concept model, the Cessna 162 is being marketed primarily to flight schools operated by FBOs as well as colleges and universities. Certification is expected during the first half of 2009.

"We believe that this will help expand the market for new student pilots, and even reduce the drop-out rate, which we estimate at 60 percent," Aniello said. "If we can cut that to 30 percent, we could actually reverse the downward numbers of those getting their private license."

Tom Poberezny of the EAA cautions that the full impact of the Light Sport Pilot certificate may not be felt for at least another ten years, and called it a three-phase process. "We are still in the first phase, in which the industry established the license and laid the groundwork for the design of aircraft and qualification of instructors for the new license," he said. "The second phase, which will take place over the next five years, will involve the delivery of the aircraft and establishment of a training infrastructure. During the third phase, which will happen over the subsequent five years, those aircraft will enter the pre-owned market. That will bring costs down and make the sport pilot license more affordable for more people because the aircraft will be less expensive."

Poberezny also hopes that the Light Sport Pilot certificate will encourage more pilots to establish mentor relationships with new pilots. "It will definitely open more opportunities to do that," he said.

Mike Yocum of the Regional Airline Academy said that "with enough publicity," the sport pilot rating has the potential to regenerate an interest in flying. "The flight schools will have to pay a lot more attention to the potential market for light sport license training in order to get people in the door," he said. "In that way, there will be enough people starting out with the light sport license who will go on to pursue their private license, and they might even consider careers as professional pilots."

Still, Yocum cautioned that some in the flight training community are not convinced. "The airplanes that can be legally



flown with the light sport license are viewed by some people as being little more than experimental aircraft that come under a different certification and along with this, many people in the flight school community are simply reluctant to embrace change," he said. "But, as more OEMs like Cessna and Cirrus Design get into this, it will give the concept a lot of credibility. Combine airplanes like that with an effective simulation component, and I think we can produce a better trained pilot for a lot less money."

While the sport planes have the potential to help, getting more people to learn to fly will continue to require an industry-wide effort with the OEMs in the forefront. "If we want to interest more people in flying, we will have to stop thinking about competing to sell airplanes to the last pilot standing and think about ways to get people to consider getting into aviation in the first place," Dale Klapmeier said. "I think the whole industry realizes this today. Is there any potential? Yes." 

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Aviation's First Deaf Instrument-Rated Pilot

How a NATF Scholarship Helped One Man Achieve His Dream

By Jennifer Coulby

It seems that pilots will go to great ends to nurture their passion, and Stephen Hopson is no exception. In fact, his personal history is replete with examples of how he overcame obstacles to create opportunities and fulfillment for himself and for others. Though he was born deaf, Hopson worked diligently and confidently toward his goals and took risks that led him to an award-winning career as a stockbroker on Wall Street.

Then, only five years into his great success in the investment field, he experienced an epiphany and decided to quit his job on Wall Street in favor of pursuing a career as an author and inspirational speaker. It was a decision that left his loved ones in a state of disbelief and required Hopson to make sacrifices to live off the remainder of his once ample salary until he had established himself in his new vocation. Methodically, he sought out ways to improve his public speaking and promote himself, once again encountering and working past doubts that came from other people and himself. Hopson soon began acquiring speaking engagements and publishing opportunities, and he continues to enjoy success in both occupations.

Despite his many successes, Hopson continually searches for ways to challenge himself, and one way was to fulfill a childhood

ambition of becoming a pilot, which he accomplished in 2001. Because of his deafness, he was ineligible for an instrument rating at the time, which meant that each time he intended to fly, he had to pore over weather forecasts to make sure that his airborne excursions fell completely within the standards set forth in his Visual Flight Rule certificate. The requirements are that visibility is three miles or better and that the cloud level is 1,000 feet or higher. He did not, however, have to worry about using the radio as long as he traveled to and from one of the 11,300 airports in the United States that do not have control towers. All the extra preparation was worth it, though, because Hopson was living his dream, or at least part of it. In 2002, he even added a commercial rating to his credentials.

However, Hopson's dream had greater scope than that permitted by his VFR pilot's certificate, so in 2005 he sought and won the John E. Goodwin, Jr. Memorial Scholarship from the National Air Transportation Foundation (NATF) and applied it toward flight school, this time in pursuit of an instrument rating.

In February 2006, Hopson made history by becoming the world's first deaf instrument-rated pilot. To meet the requirements of the rating, he uses a copilot to communicate with air traffic control-



lers. Earning the instrument rating is an achievement which has brought Hopson much personal fulfillment and opened doors for other deaf pilots. Moreover, it has given Hopson further experience in overcoming adversity, experience which he draws upon as he works to inspire others through his writing and speaking. In this way, a scholarship from NATF helped a dynamic, impassioned man realize a dream with far-reaching benefit.

To learn more about Stephen Hopson's accomplishments, both on land and in the air, visit his website at www.sjhopson.com or his blog at www.adversityuniversityblog.com.

NATF relies solely on member contributions, and without immediate support it will no longer be able to offer scholarships. NATF asks you to make a tax-deductible donation through JustGive.org. 

See Stephen Hopson at the 2009 Aviation Industry Expo on March 10. More information is available at www.aie.com.

Enormous Demand for PLST Online Training

NATA's Safety 1st Professional Line Service Training (PLST) Online is fast becoming the popular choice for online training. Since the program rolled out in mid-April, more than 1,000 students are actively training, testing, and qualifying for certification.

Jorge Rodriguez, line service manager with Miami Executive Aviation in Miami, Fla., was the very first line service specialist to obtain certification training with the new program. "I appreciated the assistance given since training online was such a different experience for me," he said. "It was much easier to use than I anticipated, and the NATA staff was always available for any questions I had. The training itself was interactive and really kept my interest from start to finish."

After being the first in his company to complete the training, Rodriguez is enthusiastic for others to train with the program. "PLST Online is so informative we ordered it for all our line service specialists," he said.

Gary Davis, line service manager at Don Davis Aviation in Henderson, Ky., was the second line service specialist to obtain certification with the new PLST Online. "In a larger FBO, they split the duties up and can afford to have specialists, but here on a smaller FBO with less people and everybody on the ground doing multiple things, the level of education and all-around training has to be much higher," he said. "Everybody has to know how to do pretty much everything, and we're finding that the Safety 1st training is indispensable. PLST Online is very thorough and quite good. I have two years experience on the line and still learned a lot."

NATA congratulates the following line service specialists who certified with NATA's Safety 1st PLST Online:

Student, Company

Jorge Rodriguez, Miami Executive Aviation
Gary Davis, Don Davis Aviation
Alain Tabares, Miami Executive Aviation
Joseph E. Tari, Talon Air Inc

Terry Beckham, Business Jet Center - Dallas
Michael France, Volo Aviation - Manassas
Howard Burns, Bismarck Aero Center
Eric Isaak, Bismarck Aero Center
Josh Aarestad, Bismarck Aero Center
James Farrell, Bismarck Aero Center
Blair Konschak, Bismarck Aero Center
Dave Marquardt, Bismarck Aero Center
James Whittaker, Million Air - Houston
John Spallone, Choo-Choo Aero
Greg Livingston, Harrison Aviation
Timothy Nestler, Hop-A-Jet Worldwide Jet Charter
Jaime Gamez, Million Air - San Antonio
Charles Farrar, Vector Aviation
Stephan Hargrave, Vector Aviation
Jared Cole, Volo Aviation - Houston
David Cooper, Volo Aviation - Houston
Tom Denny, Volo Aviation - Houston
Jacob Houck, Volo Aviation - Houston
George Roberts, Volo Aviation - Houston
Gene Aufderheide, Telluride Regional Airport Authority
Luke Akins, Scottsdale Aircenter
David Buhler, Scottsdale Aircenter
Ivan Cardenas, Scottsdale Aircenter
Bob Causer, Scottsdale Aircenter
Bill Conlon, Scottsdale Aircenter
Tyler Horn, Scottsdale Aircenter
Joe Maggiola, Scottsdale Aircenter
Ian Reid, Scottsdale Aircenter
Mike Sherman, Scottsdale Aircenter
Lawrence Koba, Banyan Air Service
Kris Schindler, Marathon Jet Center
Charlie Carrion, Atlantic Aviation - Corpus Christi
Fred Olivarez, Atlantic Aviation - Corpus Christi
Jarrett Friend, Scottsdale Aircenter
Valen Gerardo, Scottsdale Aircenter
Nick Piper, Scottsdale Aircenter
Casey Sallaway, Scottsdale Aircenter
Jacob Smack, Scottsdale Aircenter
Jay Michel, Executive Air

Seminar at Sea Makes a Big Splash

Participants in NATA's first-ever seminar at sea, *How to Build a More Successful FBO*, reported that the event was well worth the time invested and that the Carnival cruise ship was a perfect venue for networking with other FBO owners and managers. NATA members from all around the country shared experiences in the classroom, during breaks, during dinner, and at other times on board the ship.

"The interaction with the other FBOs went beyond amazing," said Andi Montgomery of Montgomery Aviation. "As all of us face times of uncertainty in the year ahead, this program benefited many facets of FBO concerns."

Some participants said that having their spouse on the trip was beneficial and fun, whether they were there to learn or just relax and have a good time. Overall, the cruise made learning cost effective and permitted quality time together during free time on the ship or exploring Nassau.

"I have been in the aviation management business for more than 40 years and can tell you I have never learned more about my job in just two days," said John Steidinger, president of Noreast Aviation Services Inc. "I hope that others in our industry get the same opportunity my wife and I shared this past weekend. It would be a shame to go to all of the work that you did and not offer the seminar to others."

Industry experts John Enticknap, Dan Maddox, and Ron Jackson led the seminar, giving attendees the benefit of nearly 100 combined years of FBO experience and knowledge. Topics included developing favorable lease agreements, working with your fuel supplier, reviewing credit card charges, managing insurance premiums, dealing with regulatory entities, and building long-term customer relationships. Other speakers included Matt Thurber, Aviation International News, on newsworthy promotion of an FBO; Leonard Kirsch, Esq., McBreen & Kopko, concerning sponsor assurances during negotiations with your airport authority; NATA's Adam Coulby on hiring and retaining the best employees for an FBO; and NATA's Amy Koranda discussing safety programs affecting an FBO's bottom line.

In addition to the core subjects, attendees spent more than an hour discussing FBO best practices that have contributed to the success of their busi-

nesses. Many great ideas were exchanged as the lively discussion went well into lunch. Participant discussions included connecting with a local radio talk station for air time highlighting aviation; stressing safety programs and enlightening staff, customers, and insurance providers; promoting FBO attributes to the community through various events; making note of customers' schedules to better serve their needs; attending or taking part in educational events/programs provided by NATA to improve the FBO's bottom line; developing a dynamic website to spread the word about FBO services; and working with associations and non-profits to provide meeting space at the FBO for a mutually beneficial working relationship.

Look for next year's *How to Build a Successful FBO* in NATA's 2009 seminar catalog.

Teterboro Airport Safety Training Proves Popular

Tracking statistics are revealing the popularity and broad reach of new airport safety training now available free and online for New Jersey's Teterboro Airport. The Teterboro Airport training tool is available at www.airportflightcrew-briefing.com/teterboro.

NATA's Safety 1st program launched a customized online training tool this past June that provides pilots and other flight crew members flying into and out of Teterboro Airport access to critical safety information about the airport, including its location, layout, operations, regulations, and safety and security procedures.

With unusual clarity and effectiveness due to its extensive use of interactive graphics, the Safety 1st briefing presents pilots with views of runway incursion hot spots, scenarios for common pilot errors, aircraft lighting configurations, take-off procedures, and other information that is critical to safe aircraft operations.

Since the launch of the training, more than 80,000 "hits" have been recorded, and an average of 61 visitors per day have viewed the safety information. Several aircraft operators are requiring their flight crewmembers to complete the course as part of their pilot training. Local FBOs are promoting the use of the training tool in pilot lounges, and the airport itself provides links to the training on its website, www.panynj.gov/Commutingtravel/airports/html/teb.html.



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Key Air Broadens Scope of its FBO Expertise

Key Air, LLC, a leader in aircraft management and worldwide executive charter services for more than 20 years, has integrated expertise with sister company, fixed based operator Keystone Aviation Services, to provide facilities and services.

The companies will operate under one name, Key Air, and offer a full range of support services to owners, passengers, pilots, and crew: FBOs, concierge services, aircraft refurbishment, maintenance, dining services, the Key Share fractional ownership pro-

gram, aircraft management, and worldwide executive charter.

In Minnesota, Key Air Twin Cities at ANE opened its doors on Labor Day weekend. It is a new world-class FBO with 70,000 square feet of hangar space and a luxurious terminal including executive office space.

Key Air's newest facility, Key Air Treasure Coast in South Florida, has upgraded its facilities to provide complete maintenance, interior and exterior refurbishments, and modification services. The facility features a new precision interior/exterior refurbish-

ment center that is fully staffed with experienced craftsmen and technicians.

"We are very excited with the expansions Key Air has made throughout the past few months," said Key Air President and CEO Brad Kost. "Even with our growth, we have stayed true to our fundamental corporate values of superior customer service and extreme attention to detail. These latest additions to the Key Air family are only the beginning. We plan to replicate these world class FBO facilities in other locations."

New York Charter Firm Adds S-76 Helo to Fleet

ExcelAire of Ronkonkoma, N.Y., announced in November that it has added a Sikorsky S-76 to its fleet of business jets, which includes several Gulfstream and Cessna Citation models, Embraer Legacy 600s, and others.

"For passengers arriving in private jets at our international gateway FBO at Long Island MacArthur Airport in Islip, the S-76 provides for easy helicopter connections to New York City in under 30 minutes," said David Rimmer, executive vice president for ExcelAire. Boston, Atlantic City, the Hamptons, Philadelphia, and Washington, D.C., are also within range of the five-passenger S-76.

The company also operates a Eurocopter Dauphin from its base at Teterboro Airport in New Jersey. ExcelAire specializes in private jet charter, aircraft management, maintenance, and sales, and it maintains office and hangar space at MacArthur Airport.

Prestige Jet Partners with Duncan Aviation

U.S. aircraft maintenance specialist Duncan Aviation recently announced a newly forged partnership with Abu Dhabi-based Prestige Jet. Duncan will be helping Prestige Tech-

nique (the engineering arm of Prestige Jet) to provide various airframe and engine support services. From its facilities in Lincoln, Nebr., and Battle Creek, Mich., the firm's 2,200 employees provide maintenance, repair, and overhaul, including comprehensive components services. It is now building a new base in Provo, Utah.

"We are delighted to be working with Prestige Jet as we make our first foray into the Middle East market," said Tony Gilbert, Duncan Aviation's vice president of international business. "Duncan Aviation will provide all services from airframe and engine maintenance to completions and avionics installations."

Wisconsin Aviation Completes New Avionics Service Hangar

Wisconsin Aviation recently relocated its aircraft avionics department into a new 10,800-square-foot facility, still conveniently located on the east side of the Dane County Regional Airport, in Madison, Wis.

The new avionics hangar is co-located with two other hangars, now comprising the Technical Service Complex. In the complex, aircraft maintenance and avionics are side by side, providing one-stop service for any technical need. Experienced technical and support personnel are ready to solve any mechanical or avionics problem. Besides being

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a factory-authorized maintenance service center for Cessna/Columbia, Cirrus, Piper, and Socata, Wisconsin Aviation Avionics maintains dealerships with Garmin, Honeywell, S-Tec/Meggitt, L-3, Avidyne, Aspen Avionics, and seven other top-shelf companies.

Wisconsin Aviation has been committed to the aviation industry since 1981 and its more than 150 employees offer of a complete line of services and products to customers who utilize passenger and cargo charter services, pilot flight school training, aircraft rentals, aircraft sales, aircraft maintenance, and avionics installations, service, and repair.

Universal Launches Enhanced Aviation Weather Today Broadcast

Universal Weather and Aviation, Inc. announced in October that it has launched an enhanced version of its free online aviation weather video broadcast, Aviation Weather Today, featuring more frequent posting times and the ability to watch individual chapters of the broadcast.

"These enhancements are based on feedback and recommendations from viewers utilizing the broadcast to supplement their daily flight planning process," said Randy Stephens, senior director, specialty products. "Feedback on Aviation Weather Today has been overwhelmingly positive. Over 96 percent of our viewers indicated via survey that they like

and would watch Aviation Weather Today."

Aviation Weather Today, which is produced by Universal's meteorology department, can now be seen three times daily: at 6 a.m., noon, and 6 p.m. CST. In addition, Aviation Weather Today has also added a new Sunday broadcast, which will air at 6 p.m. each week, and a weekend outlook segment, which will be posted Fridays at noon.

Another important enhancement is the ability for viewers to select which portion of the broadcast they are most interested in without streaming the entire broadcast.

"Segmenting the broadcast into chapters is a time-saver for our viewers," Stephens said. "It allows pilots to view the segments of interest to them. So if a pilot is only interested in the Pacific region because that's where they're operating to that day, they can view that specific chapter of the broadcast. Also, because many pilots are operating on Monday morning, our new Sunday broadcast provides them with additional information they need to help plan for their early Monday morning flight. We will continue to evaluate and improve Aviation Weather Today, adding the features and content our viewers need and demand."

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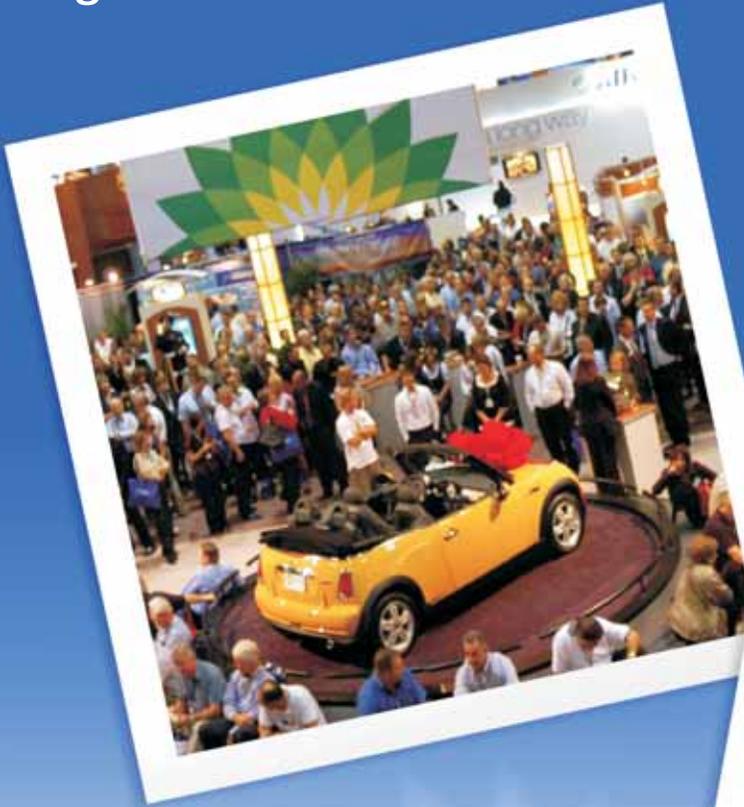


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