



**J. MAC MCCLELLAN**

COMMENTARY / LEFT SEAT



# The FBO Problem

It's high costs for everyone involved

BY J. MAC MCCLELLAN

**IF YOU WANT TO** raise the blood pressure of pilots, bring up fuel costs. If you want to put that same group into orbit, mention ramp and handling fees. There is no hotter topic among pilots. That is, unless you talk to a pilot who just landed at an airport with nobody around where what passes for an FBO is locked up, and he and his passengers can't find a restroom, much less a rental car or a way through the fence. That pilot, at the moment, isn't thinking about fuel prices.

I wouldn't say the FBO business is in crisis, but it certainly is under stress. At busy airports you find gleaming facilities with every amenity pilots and passengers could wish for. At thousands of smaller fields there isn't enough business to support much more than self-service fuel and limited hours of staffing.

We're flying in a bifurcated world of busy FBOs that must recover the high costs of their operations through high fuel prices and ramp fees, and the other half that has so little business that the cost of staying open is higher than the meager income. And pilots are caught in the middle. Without a reliable network of FBOs our airplanes are nearly worthless as traveling machines.

Until the 1980s most FBOs relied on income streams from new airplane sale maintenance, hangar rent, flight training, airplane rental, at least some charter, and fuel sales. For all sorts of reasons those business segments evaporated leaving pretty much only fuel sales to fund the entire operation.

That's old news that we've all chewed for years. But there are other more recent developments that have added to FBO operating costs that must be recovered from pilots who stop there.

One of the big impacts most of us see and think about is the fallout of the 9/11 terrorist attacks. In the wake of that disaster every airplane and every airport became a suspect in the public's and politicians'



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It didn't matter that the terrible damage was done by "heavy" airline jets; after the attack every airplane of any size was lumped into the threat category.

At airports with airline service, the reaction was immediate and uniform. Control of ramp access and identification of everyone on the airport side became a requirement. Fences were made more robust, gates more secure, and requirements for tracking all personnel on the "airside" more stringent.

Even at airports without scheduled airline service the rules for fencing and access and identification all increased if that facility wanted to receive government funding.

I was based at White Plains, New York, at the time, and we airplane owners all had to go through a TSA identification and screening process just to get to our airplanes. As I remember it, there were three different rounds of photos, fingerprints, and biometric data identification processes we submitted to as new and "improved" techniques were introduced.

While most of us general aviation airplane owners believe the security measures enforced after the attack were all an overreaction, that doesn't matter. The security forces — and more importantly the public — believe our airplanes can be a threat, and we're not going to win that argument.

Guess who got to pick up the costs of enforcing the new security procedures for GA? The FBO, that's who. The line crew and the rest



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of the staff had to go through identification procedures, control access to the ramp, and often escort, or at least observe, pilots and passengers as they come and go to their airplanes.

The result is higher costs for the FBO with no added income. And the security apparatus has created a huge inconvenience for pilots because the airport becomes essentially unusable when the FBO is closed. I was talking the other day to a crew who forgot to call the FBO to ask for “late staffing” for their after-hours landing to drop passengers. Taxiing to the ramp, no problem. But they couldn’t get through the fence. They could see their cars parked on the other side, but with the FBO closed, they had no route through the fence, and it’s tall and topped with barbed wire.

Finally an airport maintenance guy came by in a pickup and agreed to ferry the people around to their cars. But he couldn’t use the gate at the FBO because it wasn’t authorized, or locked shut, or something, so he had to drive to a far corner of the airport to a

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gate he was authorized to use. It took several trips to drive the passengers to their cars that were mere yards away on the other side of the fence.

The FBO would have kept staff at the facility — for a hefty but probably still unprofitable fee — if the pilots had remembered to call. But my point is that the cone of security that has dropped over our airports costs us all, and the best an FBO can do is pass on the costs to break even.

The other development that has helped blow up the fuel sales income stream for many FBOs is the large and continuous improvement in jet engine efficiency. Years ago you couldn’t fly a business jet very far without needing to take on fuel. But more recent designs are not only much more efficient, but they also have higher maximum landing weights, so pilots can carry fuel on multistop hops, which is convenient and often cost saving but deprives FBOs along the way of income.



Another cost-driving issue is rising expectations for what is an acceptable level of amenities at an FBO. Airport authorities who grant leases to FBO operators want, and often demand, a stylish, modern, roomy, and even plush facility. After all, the FBO is the first impression passengers will have of a city when they arrive, and nobody wants to yield any prestige to a city or state next door or across the country. And if there is more than one FBO on the field, they all have to compete to impress pilots and passengers with their service and accommodations. It's really easy to see where the high costs come from, and you get one guess who gets to pay.

While I'm listing cost burdens on many busy airport FBOs, it's also worth mentioning private fuel farms. Some airports, over the years, gave permission for locally based airplane owners to install their own fuel facility. That's great for the operator, but there goes one more source of income for the FBO leaving the visiting pilot — or one not big

enough to have his own fuel farm — to pick up the tab for fuel sales income the FBO lost out on.

My memory is too foggy to recall exactly when the first ramp fees were introduced, but it was in response to the cost impacts I've listed, plus more. With costs piling up and pilots being able to "tanker" more fuel, FBOs decided a ramp fee was the only way to recover the costs. If you buy a minimum number of gallons based on your airplane size, the fee is waived. We've all worked the numbers, and if you buy the minimum fuel at the big FBO, the cost difference between that fuel bill and the lower cost small airport nearby is about equal to the ramp fee. No surprise there.

At first, only the biggest FBOs at the largest airports charged ramp fees. Now fees are the norm at even modest FBOs at not very busy airports. There are a few busy FBOs that have managed to continue without handling fees, but the number is dwindling. And with or without ramp fees the fuel prices at the big

FBOs have to be higher than the smaller airport no matter what to cover costs.

It would seem that competition would bring down FBO fuel prices and ramp fees, but not always. The problem is traffic volume. The operating costs of an FBO are not going to be cut in half just because there is another FBO on the field. If there isn't sufficient traffic, the income from each FBO goes down while the costs remain the same. And if one FBO really excels in getting the big majority of the traffic, the other loses money and goes out of business, anyway.

**In my experience the small FBO has posted a name and phone number to call if you have problems. And friendly people have always been there to help me, give me a lift to a restaurant or motel, open the hangar door, and whatever else I asked. These are people like us who love airplanes and want to be around them and to help fellow pilots. Theirs is a labor of love, but it still has to pay the rent and put food on the table, and I worry that there isn't enough flying to assure that can go on forever.**

Having said all of that, and understanding and even sympathizing with the challenges of the FBO business, I do believe some FBO fees and charges border on gouging. Having spent most of my career living and flying in the New York City area I like to think I'm immune to sticker shock. But when I encounter a \$400-plus ramp fee for a King Air at a modest-sized airport in the middle of the country, I sure think that's chutzpah if not actual gouging.

The problem is I have no way of knowing what requirements and cost burdens the airport authority has put on that FBO. The FBO has a beautiful new building that it may have been required to build, and who knows what the airport is charging for the lease. But the FAA can find out. One of the requirements of FBOs and other businesses on airports receiving federal funds is that they charge fair prices that can be justified based on operating costs. And that's oversight I hope the FAA is taking seriously.

The other half of the FBO problem is at hundreds, even thousands of airports in smaller communities there simply isn't enough traffic to support more than minimum services. The cost of running a small FBO isn't high compared to the busy airports, but when the top line of income is tiny, any cost can be too much.

The great salvation for small FBOs and VOA airplane owners who use them has been self-service fuel. But in my experience the credit card readers on the self-serve pumps are finicky and not terribly reliable. Maybe it's because the card reader device is often exposed to the weather or the dollar volumes being charged are much higher than at a car gas station, but I've frequently had problems getting the system to operate.

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Whether it is a glossy and swank FBO at a busy airport or a modest downhome operation in the country, we need them all. FBOs have been hit with repeated high-cost body blows over the past 20 and 30 years, and I admire those who remain. They have found various avenues to deliver the service we need and expect at the many kinds of airports that make this country's aviation system the best in the world. So the next time I launch into a tirade about FBOs I'm going to pause to remember where I would be without them. *EAA*

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