

Out of Control

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HANG ON! It's GOING TO GET ROUGH! DISASTER is just ahead! DON'T JUST SIT THERE—DO SOMETHING!

No, we are not talking about the aircraft we're flying, but rather the way our local flight schools are operating. Probably the number one reason for an instruction and rental business failure is the operator's lack of control over the operations. Read on to discover how flight school owners can avoid a hard landing as a result of being OUT OF CONTROL and, instead, achieve a smooth ride by managing the areas where they can have control.

Comprehensive Dispatch Control

A Cessna 172 was released without a detailed dispatch to an individual who represented himself as an Airline Transport Pilot. After crashing into trees due to high density altitude with two passengers on board, the owner discovered the pilot had Private Certificate that was revoked years ago. The pilot had pulled information from the FAA's pilot data finding a name similar to his and duplicated medical data and related information. No one physically checked for a certificate, made copies, or verified the information he reported. To the aircraft owner's dismay, insurance was declined.

Dispatch control starts at the point of the renter pilot's aircraft checkout, and the process of dispatching should demand more from pilots. Comprehensive dispatch control creates a system of checks and balances. It may seem odd that an operator with a \$175,000 aircraft would allow a pilot to rent it without learning whether the pilot's certificate is valid or medical and flight reviews are current, but all too often the emphasis is placed only on an individual's flying ability in a particular aircraft, after which the instructor signs off the checkout, and the renter is on his way. Dispatch control must continue beyond the initial flight check. It must include a complete pilot history form, copies of pilot certificates and medical papers, execution of a rental agreement, and a thorough discussion and understanding with the renter of their responsibilities. All operators should have a listing of their rules and guidelines along with procedures for the renter to follow when things don't go as planned. Simple communication can prevent much of what occurs.

A Cessna 172 was released to a new private pilot. On the first flight, he landed at a private grass airport that was in poor condition and, after striking a wing tip on tall brush, rolled into a ditch causing in excess of \$70,000 damage. No one had provided any information advising him where he could or could not land as a renter pilot. No rental agreement was completed and no rules or guidelines were provided or discussed. Insurance paid, but the owner had a loss of use of his aircraft exceeding six months for repairs and the aircraft payments go on and on with no income.

Flight school operators should not only do a flight check-out, but they should also follow through with ground training and the use of open book written tests to insure adequate knowledge of the aircraft systems and limitations. They should document all training and testing and keep this information on file.

A Piper Archer was released to an individual after a flight checkout. After departing on an evening rental, he crashed into trees on takeoff from a grass runway at night with three passengers.

Contributing factors: the pilot was not night-current, flight review was not current, and the aircraft was well over gross weight. Fortunately there were no serious injuries, but the aircraft was a total loss and insurance declined to pay.

There is one last item regarding the dispatch procedures and control concerns—the actual “dispatcher.” Is there one? Most business operators require a renter pilot at a flight school to schedule the use of an aircraft and, at the appointed time, go to an office to get the aircraft keys and make appropriate arrangements for the flight. At this point, a person—the dispatcher—is available to confirm the pilot’s proper certificates for the flight, and his or her medical and flight review information is verified to be correct and current. This final interaction with a “dispatcher” also provides the opportunity to exchange information such as local airport and weather considerations and the aircraft’s maintenance status. This interaction with a dispatcher becomes especially important for the student pilot assigned a solo flight. However, many flying clubs provide aircraft keys for each member and may utilize on-line scheduling. This leaves no opportunity to interact with a dispatcher and creates a lack of control that has plagued many flying club operations.

Control Your Flight Instructors

Closely related to quality dispatch control is the business operator’s Flight Instructors. The Flight Instructor is in the front line of decision-making for most flight school operations; therefore, management’s control of the Flight Instructor is essential. These instructors make many decisions regarding a pilot’s ability and knowledge to fly an aircraft. They are also responsible for maintaining student records and for testing and completing the documentation for renter pilots. Flying the same aircraft each day also makes them a first-hand resource for aircraft maintenance problems that may be developing.

As much as capable Flight Instructors are important to the success of a flight school’s safe operation, incompetent instructors can be the cause of losses and ultimate failure. An example of such a case is a flight school that had three incidents within a 90-day period involving hard landings on the nose gear. The only thing the three incidents had in common was a recently hired Flight Instructor who had developed his own technique for teaching students how to land. This was the direct cause of all three losses. In another case, a Flight Instructor had difficulty getting new students to return for their second lessons. It turned out he was trying to teach respect for the aircraft by taking each new prospect through an in-flight spin session on their first flights after which most were too scared to return.

Clearly, management needs to monitor and control the instructors and should include not only initial training and background checks with previous employers but a review of the schools’ expectations, rules, and procedures. Regularly scheduled meetings between management and Flight Instructors would present the opportunity for discussing common problems, resolving

issues early, and promoting standardization. For instance, training records should be maintained on every student for all the obvious reasons of progress, continuity, and, as a bonus, as the best defense for the instructors should they become involved in a professional liability lawsuit.

Another area of Flight Instructor control may rest with pay practices. Payroll demands performance and accountability whether paid as a salaried or hourly employee. The free-lance instructor, that is the instructor paid directly by the student, presents the worst situation when it comes to controlling the Flight Instructor. In most cases, once free-lance instructors are permitted, the school will not only lose the ability to control the instructors, it may also lose track of who is instructing and who is not.

Flight Instructors who are employees of the school will be included on the school's insurance policy for defense in the event of an accident loss; however, the freelance instructor will not be included and could be found liable for any aircraft damage caused by his or her negligence. In fact, some insurers do not want to place coverage for a school that does not employ its own instructors. Once again, it is about CONTROL and a system of checks and balances.

One additional consideration available for the employed instructor is Workers Compensation Insurance. Regardless of how the school pays the instructor, the small percentage of premium required to insure the employees can prevent a crippling loss and should be considered.

Controlling the Leased Aircraft

Leasing aircraft is a great way to provide quality aircraft with little or no capital investment but the poorly written lease may grant control of the aircraft's critical operations to the lessor creating a loss of control for the Flight School operator. Control of critical areas includes maintenance, fuel, and insurance.

Maintenance

Control of quality aircraft maintenance is critical, especially with training and rental aircraft. The school must control maintenance with a system of checks and balances.

In all maintenance operations, there will come a time when decisions must be made about when to do a repair. In the Flight School scenario we have been discussing, this gets complicated by the number of people who might be responsible for this decision. When maintenance items occur, such as marginal cylinder compression, high oil consumption, or a weak magneto, the person charged with making this decision might question whether he should replace or repair it now, or defer it to the next 100-hour inspection.

For example, the flight school owner may have business pressures that cloud good judgment. The aircraft or lease back owner who performs his own maintenance might present an even worse situation as the school might not be aware of what maintenance has been deferred. Unfortunately, maintenance items frequently get deferred when they should not and can result in preventable losses.

The best case scenario is to have an employed mechanic. His top priority is most often safety and airworthiness, and his judgment is not as likely to be clouded by the time and money pressures that the others may have. Regular maintenance performed by the same mechanics, employed or contracted, is generally the most efficient and allows for continuity from one inspection to the next with proper monitoring of various problems that may be progressing. This will produce the safest environment, especially when combined with a computerized maintenance system with hourly and calendar tracking. These are now quite affordable and can be combined with a scheduling system.

Fuel

With the price of fuel continuing to be a major factor for all operators, flight schools look for ways to cut costs through either price or reduced consumption. Some ideas are effective and some will result in a very hard landing.

Fuel consumption can best be handled by the Flight Instructor staff teaching students proper leaning techniques, but what about controlling fuel costs away from the home base airport? A quick check of fuel prices might find \$5.66 per gallon at one FBO and \$3.74 per gallon less than ten minutes away. A \$2.00 per gallon price differential is not unusual. The question is how can the school make the renter pilots aware of fuel price shopping? Management decisions here can be critical.

Some use a fuel surcharge for all refueling operations away from the home base airport while others have introduced a dry rate with the renter pilot paying for all fuel costs. This option can cause the renter to be price conscious as it creates savings in price per gallon, but it can also cause them to be excessively conscious of how much fuel is burned and to take the extra lean position with the mixture control. This can cause burned valves, scorched pistons, and cracked exhaust stacks from operations with an over-lean mixture. If any of these problems are found at inspection, a review of records to find the culprit will turn up all who flew over the last 100-hours. The Flight School will never be able to pinpoint the abuser nor collect on the damage.

Fuel starvation is another problem for schools that can be handled through proper training and management practice. One operation had three forced landings due to fuel starvation in a single summer. Fortunately, none ended in an injury or aircraft damage, but strong measures needed to be taken to address the issue. The school implemented a minimum fuel reserve for each aircraft. If the fuel on board the returning aircraft did not meet the fuel reserve minimum, the renter was charged a \$50.00 penalty. After enforcing the penalty one time, the word spread, and the problem of fuel starvation incidents went away.

Insurance

Leasing aircraft can present a variety of issues when it comes to insurance and uninsurable losses. Does the aircraft owner insure the aircraft, or should the Flight School operator insure the aircraft? With few exceptions, if it is a full-time lease contract, the Flight School should insure the aircraft. It is essential for the Flight School operator to have this control as the Named Insured because he is the one who can change, add, delete, or cancel the policy provisions.

It is also important to establish the coverage in such a way as to protect both the operator and the owner under the terms of the lease agreement. Other questions can arise that are beyond the scope of this article, but deserve a mention. For example, when an owner is using his aircraft personally, will he be covered under the school's policy? What about issues such as notification of cancellation, additional insured status, and waivers of subrogation, and how these can affect coverage? Uninsurable losses: what are they, and how should they be considered in the lease? Can a poorly written lease or rental agreements create insurance problems? What is important to remember regarding these questions is that you will need to find a competent aviation insurance agent to review and establish your coverage and be sure to provide all the leases, rental agreements, and forms you're going to use in your aviation business for his review.

The Key Factor to a Successful Flight School

Ultimately, Flight School owners should take the time and energy to ensure that they have control over their businesses and that, if an issue of liability arises, they have overseen every process involved in instructing students and renting and leasing aircraft. Running a business can make demands on an individual that leave little time for the details, but it is the details that will safeguard you, your employees, your clients, and your business. Here's hoping you have a smooth and safe flight. →