

Managed Charter 2.0

Where are we now?

FOR DECADES, FAR PART 135 CHARTER OPERATORS HAVE USED their aviation expertise to manage aircraft for companies that own jets for their own use. The now-common practice of placing these managed corporate aircraft on a charter company's operations specifications for charter by third parties evolved from that initial management service.

This arrangement, originally called "piggybacking," radically changed passenger jet charter. Charter operators were no longer saddled with the heavy capital cost of buying and owning their aircraft. Corporate aircraft owners benefited from third-party charter income and the additional margin of safety provided by Part 135 maintenance standards.

Prior to 2004, no one objected to the "piggybacking" label. But things began to change *before* the "Platinum Jet" Challenger went off the runway at Teterboro. In 2004, the DOT discovered three situations where owners had "piggybacked" their aircraft on a nationally known Part 135 certificate, and the owners were also conducting what the DOT believed to be illegal charter on the side.

This investigation naturally drew the attention of the FAA. The NBAA and NATA arranged a meeting with the FAA and DOT to discuss the government's legal concerns about piggybacking. The first item of discussion was a unanimous decision that the phrase "piggyback charter" must no longer be used. At the time, both the associations and the agencies thought that they had a firm grasp on two basic issues: operational control and marketing of what had just been christened "managed charter." The industry promised to write white papers, the agencies promised to read them, and it looked like everything was proceeding in an orderly fashion.

Then, on Feb. 2, 2005, the Platinum Jet Challenger, and the orderly discussion of managed charter, went off the runway. The accident involved both marketing and operational control



Platinum Jet Challenger

issues. Operations Specification A008 grew from a sentence to several pages in length. A team of FAA inspectors swept across the country, shutting down several small operations and one big one: AMI Jet Charter. AMI was more commonly known in the industry as "TAG/AMI" or even just "TAG." This marketing misunderstanding alone might have been the primary cause of the chaos that followed.

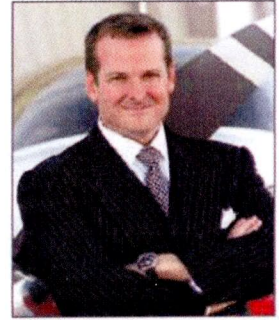
Marketing restrictions were a big part of the operational control review, but the marketing restrictions that apply to a typical passenger charter operation do not apply to injured passenger charter operations. In 1983, the Civil Aeronautics Board issued an order granting a blanket exemption to "air ambulance operators." The blanket exemption allowed "indirect air carriers" to hold out, arrange and coordinate air ambulance services of "direct air carriers" (Part 135 charter operators.)

"Indirect air carrier" was a term used by the CAB, and now by the DOT, to describe a company that is authorized to sell transportation provided by the direct air carrier. The effect of the blanket exemption is that a hospital or other organization can advertise and sell air ambulance services even if they don't directly hold a Part 135 air carrier certificate.

Typically, a hospital contracts with an air carrier to conduct air ambulance operations in support of the hospital's medical program. In this business model, the air ambulance flight operation is based out of the hospital and is often remote from the actual air carrier's main base, main maintenance facilities and management. The FAA and the industry have struggled with the conflicting demands of building "Air Medical Resource Management" (CRM for air ambulance) unity between pilots and paramedics while at the same time ensuring that a non-air carrier hospital doesn't exert operational control over the pilots.

In 2007-2008, the FAA conducted Operational Control Special Emphasis Inspections on all Part 135 air carriers. By the end of the process, most charter operators felt that they had these issues nailed down. Don't let the aircraft owner market charter as its own product. Make sure that crews are "loyal" to the carrier. (Pilots now sign "agency agreements" that were briefly called "loyalty oaths" prior to the new OpSpec A008.) Know where your aircraft are at all times. Although Part 135 does not have "dispatch" regulations modeled after Part 121, the vast majority of Part 135 operators have implemented dispatch style flight release procedures in order to pass their Special Emphasis Inspection.

So, we're done, right? Maybe not. Earlier this year, an FAA Flight Standards official announced at an industry meeting that there might be another round of Operational Control Special Emphasis Inspections. Is this about new enforcement of existing policy, or is the policy changing again? Too soon to tell. . . . ■



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