

BUSINESS AVIATION ABC - FBO WORLD, WHAT IF WE LOOK DEEPER?

News / Business aviation



Featured by  General Aviation Service

We started talking about FBO business. Daily lives of the various players and their concerns. As our aim is to speak about the actual situation, needs, worries and problems to be solved, we continued our investigation and open discussion with General Aviation Service and its Commercial Director Evgeny Shadov. We have questions - they have frontline experience and valuable recommendations for improving, developing and harmonizing the industry. So, immerse yourself in breathtaking world of FBOs. Take a seat, read, listen, participate and contradict if you like. We are more than open to discussions with industry players and regulators.

T.O. I guess you're ready. Previously we talked about a lot of issues, and I found out about a lot of specific things in Spain, FBOs. But let's go back to something serious. We know that you have amazing network in aviation industry. My question is does great network means easy contract signing? Do you have any issues in general with contract signing at FBO business in Spain especially or is it a common problem? What is the real and true situation with networking and contract signing?

E.S. Well, actually it's a very important and interesting question. First of all, I will talk from, let's say, the user experience and what really I can find that encounter my daily operation and the problems we might be having here. So, talking about this. We should start, I think, with the understanding that gaining a client's trust, getting them interested in the services you provide, the services you're offering or selling to them, a lot of time, it's very time-consuming process. Sometimes it takes months from the first email with the first offer or economic proposal to signing this draft agreement. As we always say, as you just mentioned as well, that our aviation sector, our niche and specifically our ground handling services for business aviation is very different.

My background includes dealing with commercial activities and scheduled aviation, working with major contracts as airport ground handler with companies like Emirates, Qatar, Ryanair. When we talk about those agreements on commercial side, the famous IATA SGHA, which seems to cover almost everything, it's quite generic and highly modifiable, but, nevertheless, I must admit and say that it's very indispensable and important for scheduled and commercial aviation. Why? I think it's because of the cost structure and the guarantees it provides for both parties. Why is that? When you have a yearly volume from an airline, you calculate your needs, you put your cost on the table, you see how much additional staff you need ground service equipment and other services and you put the cost to operator. You add your margin, typically around 10%. Then you negotiate prices. When the operator disagrees, for example, at the first stage, you review the costs, you allocate fewer stuff, you review the service approach, maybe you remove some ground equipment, which is not necessary at all. You negotiate again and go to the operator with new price. If operators agree, wonderful. You go and sign the new contract.

When it comes to general aviation it is very different. I want to share my experience. I don't intend to generalize or claim that this is the case for everyone and in every country. You know Tatiana.

T.O. It's important because when you talk and when you tell about real situation in your company, or on Spanish market, it will be let's say a kick off for everyone to compare the situation, to share the situation and maybe to share what needs to be done.

E.S. I just wanted to start with comparing the SGHA contract and draft between the commercial aviation and business aviation. It's likely the same, but not the same. I just gave you the clear example of how SGHA applies in relationship in commercial aviation where well-structured contract or well discussed contract guarantees, functionality, service standards, compliance with the liability and its limits, and of course benefits for both parties. Business aviation it is a way

different. We are we trying to apply same SGHA for our business aviation activity ; From the very beginning we don't know what traffic the operator will bring to us, neither the frequency. So, we're assuming from the very beginning some risks. Partly it's normal because we are talking about nonscheduled general aviation with request for high quality sufficient , staff, new equipment always, VIP services, lounges and FBOs. This is what we are providing and offering to our clients. General Aviation Service is always more than ready to provide all of this. Another interesting fact appears when we are dealing with VIP operation is this "No exclusivity clause", which operators mostly like will put in conditions. When we are dealing with VIP world where the pilot can decide, The aircraft owner of course can change its mind. The broker can decide and say who they want to fly with. And even, sometimes, flight attendant who didn't like the catering another day, they decided to suggest using another handling agent. This is where we know we have to be flexible. This is a part of rules of the game. Just because this is a reality of not scheduled business aviation. WE have to be flexible and accept.

There are a lot of players in the middle who somehow can decide. But this is the scheme. My question so why don't we agree on certain amount of flights operator could operate out of the contract, let's say just out of the blue, 5% or 10%. And if they exceed, maybe they have to cover these costs. Or maybe prices will increase. Just noncompliance. And this is really sad that after all the effort you put on the negotiation on relationship, maybe investment you have to make to be able to attend this operation. You can see client flying with someone else tomorrow. And why is that? I will be honest - in my experience, generally, it's because in many cases we are afraid to impose conditions. We are afraid to insist because all agents are working under the same conditions. And as a result, many competitors simply taking advantage of maybe sometimes even build their commercial strategy on just waiting to the client to come to them because they suddenly won't like or will change their mind or broker will ask. As I mentioned before, it's not within my competence to discuss and say how the legal document should be. Because I'm not a lawyer. But this is my experience and what we are living. But the one thing that worries me the most here, another one is the payment. I think you heard about payments issues in our business.

T.O. As I am coming from business aviation myself, I know that it's a very painful issue for everyone working in business aviation.

E.S. Even though there is a specific paragraph part in the SGHA dedicated to payment methods, we still have a lot of problems and issues. When paying before the flight, before aircraft departs, with a credit card. Perfect. Everything is OK. But 99% of operators would ask you for a credit, and this is one of the most important conditions operators normally just put-up front of you. OK, no problem, we can give you a credit. The problem comes when out of the same fear of losing a client, we can't add a penalty clause or penalty for non-payment or late payment for example. As a result of this, you can see more and more publications and social media from debt recovery companies like Blacklist, for example, with impressive debts. Impressive debts that supposedly shouldn't happen in aviation, where money is not a problem, as a lot of people think. The worth part is that despite owing money, a lot of times those companies continue flying. This is the problem. And often they owe you money, they owe you some outstanding invoices in place, and you can see them still flying at the same airport just using another handling.

T.O. Do you think that during European aviation events, we should have a roundtable and honestly put everything on a table? Because the longer we wait for the situation to somehow, by a miracle, become normal the less hope we have that it will actually happen. You're putting a lot of efforts, in everyday job and doing something better. if I'm not mistaken, I've seen recently that you got new equipment. Actually, and you are number one ground handlers in BizAv in Spain. I will use this opportunity to ask you to tell us more.

E.S. Yes, exactly. We've been the first company in Spain, first ground handling agent to introduce this equipment. Very cool, very fancy, modern, small, actually, because we used to have these big machines, pushback tractors etc. So, it's guaranteed maximum aircraft safety. And this model particularly, I like it very much because its capacity is up to 60 tones with these unique 360 degrees approach to the aircraft. So, it's controlled remotely. it's actually very interesting and cool to watch how it's being operated on the ground. Because every time I can see it, our staff using it, it reminds me when I was a kid and was playing with this remote-control small car. WE already have one fully operational in Barcelona. Another one is about to be introduced in Alicante as well. And three more to come.

T.O. Congratulations! I hope I will see small videos from your staff dealing with that brilliant equipment. Because everyday life of ground handling is something very part of mystery. It's a backstage part of mystery. But if I'm not mistaken, we discussed last time that there will be some tenders. It was Barcelona and Madrid if I'm not mistaken. What is the result?

E.S. Thank you very much for reminding about Barcelona and Madrid tenders! As we discussed in the first episode, I will repeat myself a little bit. FBO landscape in Spain as well as conditions are quite different comparing to other countries. In Spain, the terminal owner is AENA - airport authorities. They launch a tender from time to time and for this building management. Thanks to our partners support, who are also ground handling operators in Barcelona and Madrid, we secured our license to work under the same conditions in the same building terminals, for next five years.

T.O. Congratulations!

E.S. Thank you, However, it's going to be some additional things added to this functionality because we have some commitment before AENA and authorities to make some investment of amount of money for the terminal improvements. So this is going to be a message to all our clients that they can be rest assured that we are IN! You are more than welcome to come!

T.O. My question, you are investing, you are participating in tenders, you're innovating. I have a simple question: being different and being nonstop and movement... What are main criteria or points, how the client makes his choice? Especially in Spain, if you are in the same building, with all the information I got from you about the specific rules and regulations in Spain. I am a client; a lot of companies will tell I'm different. Listen, I'm totally different from my concurrent sitting in the next room and so on. But let's be honest, there comes a moment when crew members should take a decision, or a broker takes a decision. How it's done and how you get the best clients. What are you doing?

E.S. This topic of how to be different I particularly like it very much. Being different is hard. If you're just like everyone else, people might not even notice you and forget about you very soon. So, it's tough to stand out, especially in our case, when there are so many other companies with maybe more famous names around. But if you're sure about the quality of your service, about your people, about your team, that's the key to success. And you have nothing to be afraid of. Actually,

as a service provider it's important to become, as I always say - essential to your clients. They should feel like they can't do stuff without you, and they should trust you to keep them safe and secure all the time. Last year as you know, we did really well by breaking all our records for numbers and market share. In our business strategy, what we do, we prioritize understanding the clients needs over talking about prices and conditions at the first place. So, I think figuring out what the client actually wants, meeting their expectations. Not just being a regular service provider but becoming an extension of the operator on the ground. So, as of today, our network is only in Spain. This is why and how we are different.

T.O There's been some recent news about some new players coming to Spain. New handling agents. This make us feel stronger than ever?

E.S. Knowing your area, knowing your territory, knowing your place and your country is very crucial. So, controlling 9 airports or 29, makes a big difference. From my personal experience knowing many people in the industry, operators, owners, even passengers in this aviation. I know that the first thing they are looking for in it's not international network at the first place, it's not international network or renowned brands, but the personal attention. I must say right now that thanks to the very talented management of our CEO, Alberto, our managing director Juan, all other directors, General Aviation Service nowadays doesn't need any structural change or to be put up for sale, ensuring our growth and continuing to guarantee. What is most important nowadays is, you know, as we've just been talking about Barcelona and Madrid, at the end, of all of my competitors, as you just said, there are a lot of us at every airport, we work under the similar conditions of the same buildings. Same, we're sharing facilities, VIP lounges, even sometimes around ground service etc. I think the answer to this question is - being different means today in our situation, being stable. This stability is something we have to offer to our clients.

T.O. I would say you're not offering just stability, for me it's a peace of mind. Because your clients can be relaxed. They know the quality, the know peoples, prices, management. Even the way of crisis management. Me as a client, that's essential. If I know that the service provider has my back. I'm quite sure he can be very much certain that I will not live for anyone else. My last question for today, I want to know an easy thing: you are participating I aviation events, flying back home, what you're bringing from?

E.S. You might see in my social media. I'm a huge fan of all these aviation events related to business aviation. I'm trying to be everywhere, and if time allows, I try to attend all of them. For me, each event has a special value. Obviously, when we attend events like Air Charter Expo, NBAA, EBACE in Geneva or MBAA in Dubai. The main mission, of course, is to represent your company, to bring information to the market about your services, latest news, and why we are different, as we talked just before. But for me, it's also learning opportunity, really. Learning opportunity. Why? Because over this course of two or three days, you get to connect and talk with so many people. And for me, there is not just high-ranking executives with specific roles in their companies. They are source of learning new things that make me better professional and give me new ideas to bring to my day to day operation back home and in my company I'm working for. And answering to your question about what I bring back from all those events when we are doing all these trips and travels around the world. Well, the truth is that I bring back home friends. From the beginning of my career, I always said that you first have to establish a good personal connection with the person, connect even on an emotional level. And then if you can see that the chemistry is good - You can try to sell something. And if you don't sell anything because it's not the right time or person is not interested in what you're offering to them, that is okay. Leave it. And keep talking and maintaining conversation about their life. If you're close - about the kids or problems or whatever. When this person you just talked to, they're back home, they might not even remember which

company you work for, but they will remember how nice how smiling and sociable you are every time They will be touching your business card. You've asked before what our next events and participations are would be. So, I'm really gearing up and starting my engines for next big trips. The next one will be Air Ops, in Brussels next month. Then we will be participating in NBAA Schedulers and Dispatchers . Yes, we will also be attending the spring launch by Air Charter Association. And of course, EBACE, will be there ; as always, we will be exhibiting with our booth this year bigger one. I will be more than happy to see our friends and clients and new customers , Possible clients at any of these events. Actually, next week, I just remembered that next week I'm traveling to Poland. I've been invited to celebration of 20th anniversary of Jet Story. One of our valued clients, they invited me to participate and to share these moments with them. So, follow my social media, and for sure, you'll see some pictures, nice pictures from all these events. We will be more than happy to meet you all in all these trips around the world anywhere. And to discuss business or your personal life if you want.

T.O. Perfect. I know that after the second episode you will have a lot of new followers. Thank you. And be ready to discuss maybe some different ideas, because after the first episode, I got some feedback. No, it should be done in a different way.... We are open to talk with everyone. So, this is the point share the real situation and to start a discussion to find a solution for better business.

E.S. Thank you, Tatiana. Thank you for your time. It was a pleasure to be with you.

30 JANUARY 2024

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