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On-Airport Flight School Economics Through The Years

The process of teaching new people to fly, and also adding new levels of skill and achievement to the existing private population, has been a staple of on-airport activity since the end of the First World War. Without a consistently replenished pool of pilots, aviation in all forms would have little future. Flight schools are not only an important part of the overall universe of potential airport tenants and users, but also hold the potential to consistently introduce a local airport's benefits to a new group of users and supporters.

The process of teaching students to fly has historically been subject to evolutionary change which has produced both economic drawbacks, and also benefits to the industry. Most flight schools are now relatively low-margin propositions, with the concomitant problems that go along with this condition, and it is important to understand how and why basic flight school economics function the way they do. Most old-timers will tell you that the golden age of flight school operation was right after World War II. New airplanes like the Piper Cub, the Luscombe, Taylorcraft and Aeronca were abundant and relatively cheap, and there were also a vast array of surplus military trainers that could be also used for this purpose. When added to the sizable population of trained pilots and instructors that were released from the armed services, flight training became a profitable facet of the on-airport businesses that were pursued by the thousands of small and large FBOs that sprouted up after the war.

Best of all, the host of surplus military airports that were turned over to civilian operation provided inexpensive, and sometimes free-of-charge, facilities on which to operate. Gas was cheap, overhead was low and even after the postwar aviation boom petered out in the late 1940's, flight school operation was still a good business to be in.

By the dawn of the 1960s, the existing infrastructure of independent FBOs began to develop stronger affiliations with the aircraft manufacturers (mostly Cessna, Piper or Beechcraft), for the purposes of developing enhanced sales, service and other related revenue possibilities. Remember, those were the days when each manufacturer had an extensive line of aircraft, designed and built with the hope that brand loyalty could be developed early, and that an upwardly-mobile buying pattern would lead a pilot from the left seat of a trainer all the way up to whatever constituted the top of the production ziggurat at the time. As a way to provide a steady stream of potential customers for their product, the manufacturers decided that their dealerships would also be required to operate a flight school, utilizing the training aircraft produced by them, and also teaching the specific syllabus developed by them. The resulting standardization of procedures and practices undoubtedly imposed a more orderly format on the process of learning to fly,



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but one of the effects on the economics of flight school operation was that it introduced the concept of training as a loss-leader for aircraft sales, which was where the real money was thought to be made.

Hourly rates for aircraft and instructors were kept artificially low, and flight schools that were not affiliated with a major manufacturer found it harder to compete. As the economic landscape changed the FBO business in the 1970s and 1980s, the *Cessna FBO* or the *Piper FBO* disappeared from the airport environment, and with them, the factory subsidized flight school. Cessna is now the only manufacturer to still operate a semblance of this system. The low price for flight instruction remained, however, and it still dogs the industry.

The 100 hour inspection requirements for flight school aircraft and other regulatory considerations increased the cost to flight school operators, and fuel costs are also important factors in their health and survival. After 9/11, the restriction on entry visas for foreign flight students reduced what was once a steady pool of customers for larger, internationally oriented schools located in the United States. Another byproduct of the recent financial crisis is that the student loan industry, which also provided capital to pay for financed flight school tuition, has virtually dried up and blown away. Without a financing option, many prospective students cannot come up the money for their aviation education.

Most flight schools tend to be sub-tenants of large fixed base operators who today focus on storing airplanes and pumping fuel. This can make it expensive for the flight schools because they sometimes need to occupy premium real estate, and also utilize avgas, which is rarely pumped in sufficient volume by the FBO to warrant a meaningful discount. When negotiating with flight schools for on-airport real estate, it is best to be realistic at the start about the challenges they face. Many prospective operators that are new to the business, do not understand fully the financial challenges that apply to their venture. It is better to ask a prospective flight school tenant the hard, uncomfortable questions upfront about their business plan, long-term capitalization scheme and other nuts and bolts, and lose the deal, rather than have to go through the hassle of having them go *Tango Uniform* later because they did not fully appreciate the degree of difficulty associated with the activity in the first place.

In the face of all the problems, there is still a need for pilots. And in spite of the difficulties they face, there are still many flight schools nationwide. A well run flight school is an asset to the airport environment, and good training at the local level can contribute to a safer airport, as well.