



Corporate Shuttle 2.0

Tuesday October 16, 2018 - 4:00 pm - 5:00 pm

Aaron Goerlich, Jeff Money Penny, Matthew Grunenwald

Presenter Biographies



Aaron Goerlich, Aviation Attorney – Garofalo Goerlich Hainbach PC,
202-776-3974, agoerlich@ggh-airlaw.com



Jeff Money Penny, Vice President Sales – Ultimate Jet Charter,
330-620-7400, jmoney penny@ultimatejetcharters.com



Matthew Grunenwald, PhD Candidate – Embry Riddle Aeronautical
University, 916-747-1689, mattgrunenwald@gmail.com

Outline

- What does the next generation of a corporate shuttle look like?
- How can public/private partnerships be taken advantage of?
- What baby steps exist to help a company set up a shuttle or break into the market?
- How do other regulations, such as DOT Part 380, affect corporate shuttles?

What is a Corporate Shuttle?

- The term “corporate shuttle” describes a company with “multiple operating bases...institute[ing] a scheduled flight operation between those bases to save both time and money relative to airline service” (Sheehan, 2003, p. 1.18).
- Corporate air shuttle aircraft range in variety of sizes from turboprops and regional jets to full-size commercial aircraft (Jackson, 2015).
- Given their fast, flexible, and timing saving benefits, corporate air shuttles are perceived as more efficient and cost-effective than flying commercial airlines (Sheehan, 2003).

Sources: Sheehan, J. J. (2003). *Business and Corporate Aviation Management*. New York, NY: McGraw-Hill Education

Jackson, K. (2015, Jul 1). Company shuttles yield political and tax advantages. *Business & Commercial Aviation*. Retrieved from <http://aviationweek.com/bca/company-shuttles-yield-political-and-tax-advantages>

Next Generation of Corporate Shuttle

What does it look like?

- Airlines are beginning to adopt ***Mobility as a Service*** (CAPA, 2018)
 - Customers want door-to-door service
- ***Point-to-point (PP) flights*** are non-stop and direct which tend to minimize air travel times (Marti, Puertas, & Calafat, 2015).
 - Most full-service airlines use the hub-and-spoke system (HS) feeding passengers to a centralized location for redistribution to interim or final destinations to optimize operational costs (Vasigh, Fleming, & Tacker, 2014).
- Growth in Low-cost Carrier PP airlines indicates customers desire for fast, dependable, non-stop travel
- ***Corporate air shuttles today already do this***

Source: Marti, L., Puertas, R., & Calafat, C. (2015). Efficiency of airlines: Hub and spoke versus point-to-point. *Journal of Economic Studies*, 42(1), 157-166. doi:10.1108/JES-07-2013-0095

Vasigh, B., Fleming, K., & Tacker, T. (2014). *Introduction to air transport economics: From theory to applications (2nd Ed.)*. Burlington, VT: Ashgate Publishing Company.

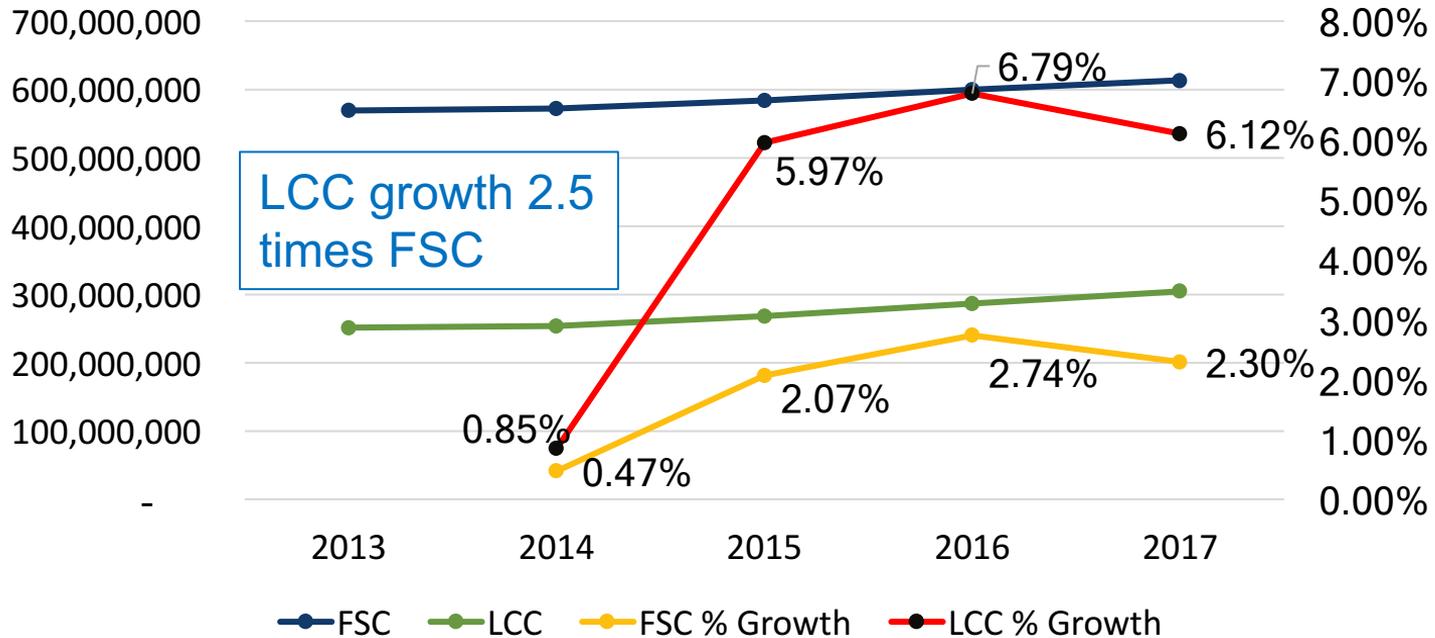
Shuttles and Low-Cost Carrier Commonality

Part of what makes shuttles successful is demonstrated with low-cost carrier (LCC) airlines

- Per CAPA & OAG, some of the key "classic" characteristics that make up the low-cost model include:
 - **High seating density**
 - High aircraft utilization
 - **Single aircraft type**
 - Low fares, including very low promotional fares
 - **Single class configuration**
 - **Point-to-point services**
 - No (free) frills
 - **Predominantly short- to medium-haul route structures**
 - **Frequent use of second-tier airports**
 - **Rapid turnaround time at airports**

Low-Cost Carrier Strategy Works

US Seat Capacity vs. Growth % - Full Service vs. Low-Cost Carriers



Corporate Shuttle Operations Review

Corporate Shuttle Review

Reviewing 17 years of shuttle operations...

- Majority of temporary shuttle operations support mergers & acquisitions, or operations to remote locations (drilling sites)
- Companies that use shuttles may already have executive aircraft for C-suite managers and use shuttles to keep executive aircraft open for executives
- Companies with shuttles expect employees to utilize aircraft as first option
- Most importantly, corporate shuttles provide the following benefits...

Corporate Shuttle Benefits

- Mobility as a service
- Shuttle convenience
- Employees home with their families each day is a big plus
- Stress free process of travel, especially during the time of a Merger/ Acquisition that can carry a whole new level of uncertainty and stress for these employees.
- Demonstrates that company is making an additional commitment to employees by bringing a higher level of quality to their life's by providing this service
- As such, while the idea of sharing a shuttle with another company sounds good on paper, in reality, companies prefer to have the aircraft to themselves

Corporate Shuttle Implementation

Types of Aircraft Operations

Commercial vs. Non-Commercial

- **Commercial**

- Generally, any form of compensation or hire indicates a commercial operation
- FAA license required: Air Carrier Certificate
 - Charter Operations under FAA Part 121 or 135 for Corporate Shuttle Aircraft
- Operational control exclusively in Air Carrier Certificate holder

Types of Aircraft Operations

Commercial vs. Non-Commercial

- **Commercial (cont'd)**

- Sharing options:

- Split charter: Two companies charter same flights
 - Each charterer has contract with air carrier
 - Allocate seats and payment responsibility in charter contracts
 - “Sub-charter” and corporate “self-aggregation”: not authorized, even under new DOT Part 295
- DOT Part 380 Public Charter
 - Corporation A (charterer) can resell seats at any price to Corporation B, C and/or D, or even to general public if desired . . . max flexibility
 - Must comply with 14 CFR Part 380 requirements (financial security, DOT filings, contracts)

Types of Aircraft Operations

Commercial vs. Non-Commercial

- **Non-Commercial – Generally**

- No common carriage
 - No holding out of willingness or availability to provide air transportation
- No compensation or hire (narrow exceptions)
- Prime example: Company using its wholly-owned, fractionally-owned or leased airplane to carry its own employees and guests in furtherance of its own business
 - Company has exclusive operational control
- Generally, no FAA certification
 - Exception: Subpart K of Part 91 for fractional program operations
 - Exception: Part 125 Operating Certificate required for aircraft with 20+ passenger seats or 6,000+ lbs max payload capacity

Types of Aircraft Operations

Commercial vs. Non-Commercial

- **Non-Commercial – Part 91, Subpart F**

- Compensation permitted, but *limited to recovery of certain costs*
- Examples: Company using its wholly-owned, leased or fractional program aircraft to engage in—
 - Affiliated group operations
 - Interchange operations
 - Timesharing operations
 - Joint ownership operations (n/a for fractionally-owned aircraft)

Note: Limited to turbojet-powered multiengine aircraft and large aircraft (>12,500 lbs MTOW) of U.S. registry, unless fractionally-owned or covered by FAA exemption (NBAA or individual)

Types of Aircraft Operations

Commercial vs. Non-Commercial

- **Non-Commercial – Part 91, Subpart F (cont'd)**
 - No FAA certification or licensing of the aircraft operator (the company exercising operational control) provided:
 - Company satisfies incidental business test
 - Company is not a “flight department company”
 - Fractional program operations must also satisfy rules of Subpart K
 - Will often be federal excise tax considerations (7.5% domestic FET, but partial fuel tax credit)
 - DOT economic regulation: Applicable only when Subpart F operations, otherwise permitted by FAA, are being conducted by a company which does not qualify as a U.S. citizen under the aviation statutes, as interpreted by the DOT
 - A “foreign civil aircraft” – regulated under DOT Part 375

Part 125 Operations

- **Part 125 Operating Certificate required for aircraft with 20+ passenger seats or 6,000+ pounds maximum payload capacity**
- Certificate holder could be corporation itself or separate entity (affiliated or non-affiliated)
- Strictly non-common carriage
- Deviation authority (“A125 LODA holder” or “125M”)
 - Blanket deviations from Part 125 eliminated some time ago
 - Deviation from portions of Part 125 (including certification) available for operations in which persons or cargo are transported without compensation or hire, or that do not involve the transportation of persons or cargo
 - FAA intent is to meet safety objectives of Part 125 while granting certification relief to corporate and private use operators
 - Refer to FAA Advisory Circular 125-1A, Chapter 10

Part 125 Operations (Cont'd)

- **Issue spotting:**
 - “Holding out” is forbidden
 - How many private carriage agreements are too many?
 - Stated differently: Where is the dividing line between non-common and common carriage?
 - Risk: develop reputation . . . become victim of own success
 - Status for foreign licensing purposes
 - Part 125 unique to U.S. regulatory scheme
- **FET applies**

Shuttle Sharing

Can it be done?

- Yes, but...
 - Requires board of governance to oversee mutual operational strategy and cost sharing
 - Firm and fixed mutually beneficial schedule between shuttle parties
 - Single point of control - one operations team
 - Clear cost targets and method for reconciliation
 - Complete visibility to shuttle parties and FAA
- In practice, most companies prefer to have complete operational control and access to the aircraft



 **NBAA|BACE**[®]
OCTOBER 16-18, 2018 · ORLANDO, FL