Checklist: Adding Your Aircraft To A Charter Certificate

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Credit: Nigel Prevett/Aviation Week Network

The COVID pandemic seriously increased the number of business aviation users who bought their first business jet. For some, that meant deciding whether to add that aircraft to an existing Part 135 charter certificate.

Chartering a jet when the owner doesn't need it can be a smart way to earn extra revenue while offering the charter company additional lift capabilities with very little of its own capital.

Typically, owners will pocket 85-90% of their aircrafts' hourly charter rate. But an owner's relationship with a charter operator as well as the complexities of the switch from Part 91 to Part 135 operating rules can be fraught with potholes for owners not savvy with charter and business aviation operations.

Dave Coleman, a 33-year aircraft and industry information veteran and president of Chicago-area-based Coleman Jet Solutions, details a number of important considerations before a buyer signs a purchase contract.

“Buying an airplane (to add to a charter certificate) is like buying land on a fault line in a floodplain during a hurricane," Coleman says. "At any given time, something on that airplane is going to break making unexpected bills highly probable. The Proforma most charter operators offer prospective clients can often make maintenance expenses appear rather predictable when they’re anything but.”

Coleman's team includes aviation-specialized attorneys and tax advisors.

Rules Of Thumb

1. The charter operator is part of the team. Make sure they have inspected the aircraft and all records before technical acceptance.

The new airplane will be required to pass a technical conformity inspection before a Part 135 operator will agree to use it. If the client buys the aircraft before this check, “they may wind up with a number of very large bills that were not anticipated," Coleman says. "These could have mitigated if they had performed most of the Part 135 conformity inspection during the pre-purchase process."

2. If you need charter revenue to make the deal work, you can’t afford the airplane.

Most aircraft owners understand that chartering their aircraft won’t cover all their costs of ownership. Most are just looking for a contribution to the aircraft’s overhead. Adding your airplane to a Part 135 operation may make a good start at covering the airplane’s variable costs, “but there’s no free lunch,” Coleman warns. “If your personal utilization increases or your anticipated revenue does not materialize, you could find yourself in the position of owning an aircraft that is beyond your means.”

3. Run, don’t walk away from a “great deal."

“Buying an airplane that someone calls a great deal can drain your bank account faster than a bad one,” Coleman says. That’s because an older airplane is typically less reliable and requires more maintenance downtime. It may also be a challenge to meet utilization projections. The additional charter hours might just amplify that problem sticking the owner with a hangar queen.

4. Buy an airplane that fits your mission.

If an owner flies 500-mile trips two or three times a month, it is simply throwing away good money to purchase a large cabin airplane, even if the price represents an unbelievable deal. Large cabin Gulfstreams and Falcons charter extremely well in certain markets, so the revenue projections will look extremely good. “But, if your summer home is on Mackinac Island--runway length 3,500 ft.--buying one of these, because the revenue looks good, is a very bad decision,” Coleman says.

5. Part 135 means a whole new set of rules.

Adding a private airplane to a Part 135 certificate changes pretty much everything most people understand about operating their own aircraft. Coleman says, “Under 135, an aircraft becomes a public conveyance. That means new rules covering everything from the airports the aircraft can operate into, to flight crew and maintenance technician training, creation of minimum equipment lists (MEL), updating flight manuals, and significantly more paperwork overall that can reduce flexibility and add to ownership costs.”

6. Who will manage the aircraft and the charter operations?

“Do you choose a small local operator or a large one with more resources?” Coleman asks. “The question is whether you want to be a big fish in a small pond, or the other way around, but with more resources. Each client’s choice is different.” Coleman suggests early conversations with local operators before reaching out to large ones for a full picture.

7. How often do you want to fly on your own aircraft?

This question is often lost in the complexities of finding the best charter niche. Coleman said, “It’s extremely important to give all the operational numbers a sniff test to be sure they’re realistic.”

He details a test case in which a charter operator’s ProForma analysis showed 450 annual hours of charter and 200 hours of owner use.

“At that combined utilization rate, the chances of the aircraft being available for the owner on relatively short notice is slim. Remember, being in command of your time and your schedule is what makes business aircraft ownership unique. Weigh the importance of each before making the final decision to charter your aircraft.”