

Basic Business Law for Aviation Maintenance Professionals

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- “Forget all that stuff about lift, drag, thrust and weight – what really makes an airplane fly is money.”
- “Do you know how to make a small fortune in aviation? – Start with a large one!”

Fact: Aviation Businesses are Capital-Intensive

- Purchase or leasing
- Inspections and scheduled maintenance
- Regulatory compliance
- Insurance
- Training and other personnel costs
- Fuel, oil and other consumables
- Unscheduled maintenance

Are financially-troubled operators less safe?

- FAA thinks so – operators in bankruptcy routinely get more on-site scrutiny
- Accident reports suggest it
- What do you think?

What Causes Financial Problems - Economics 101

- Costs higher than anticipated
- Revenues lower than anticipated
- Cash flow imbalance (bills due faster than revenue collected)

Solution?

- Planning
- Communication
- Strong relationships

Why Planning is Better than Reaction

- Cost
- Timing
- Repetition
- Reputation

Key Relationships

- Customers
- Suppliers
- Employees/contractors
- Landlords/neighbors
- Lenders

Customers

- Written estimates
- Shop rates and payment terms
- Detailed work orders/invoices
- Scheduling
- Removed/replaced parts
- Log books and other paperwork
- Credit and collections

Suppliers

- Written purchase orders
- Specifications/scope of work
- Delivery/return terms
- Payment terms
- Who else do you know (or knows you)? Are you the salesman's customer or the company's customer?

Employees/Contractors

- Paperwork
- Taxes
- Benefits (employer and public)
- Can you contract for labor?

Contract labor

- Comprehensive written agreement is essential
- Main issues are control, allocation of risk, independence and qualifications
- IRS will issue a determination letter, if requested, but ramifications go beyond federal taxes

Landlords/neighbors

- Compliance with land use and environmental regulations, and private agreements
- Nuisance
- Access and parking
- Hours of operation

Lenders

- Loan applications are not the place to practice sales skills or creative writing
- Know your loan covenants
- Keep lender informed regularly, not just when you need (more) money or have a problem
- Bad news doesn't get better with delay

Basic Products Liability – Theory and Practice

- Products Liability can be based on:
 - Strict Liability in Tort
 - Negligence
 - Warranty
 - Breach of Contract
- Insurance is available, with premiums usually based on revenues

Conclusion

- Safety depends on money, which comes from a successful business
- A successful business plans rather than reacts
- Planning involves analyzing key relationships, identifying potential problems, and communicating expectations and intentions

Where Can I Get ...

- Internal Revenue Service Forms:
<http://www.irs.ustreas.gov/formspubs/index.html>
- A copy of this presentation:
http://goeringlaw.com/Aviation_Resources.html
- More information: Call me at 332-4412
or email swgoering@goeringlaw.com