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An Aviation Law Update

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Is your aircraft lessee sufficiently compensating you for fuel?

Many of our clients entered into lease agreements years ago, when jet fuel prices were a bargain compared to today's prices. It is increasingly common for jet fuel to cost nearly \$8 per gallon across the United States, whereas just three years ago the price was typically closer to \$3. Due to this drastic price increase, it is possible that lease rates calculated on historic fuel prices no longer adequately compensate an aircraft lessor.

Leases that require the lessee to pay the lessor an hourly or "variable" lease rate are the kind that are most impacted, since the hourly rate is largely based on fuel consumption. A brief amendment to the lease that is signed by both the lessor and lessee can easily fix the lease income discrepancy caused by fuel prices. Two ways to amend the lease rate are: (1) provide for a fuel surcharge for flights where fuel exceeds a certain price per gallon, or (2) increase the hourly rate.

Recently, a client contacted us after his pilot pointed out that the client was losing a significant amount of money due to the aircraft's hourly lease rate that had been calculated five years ago. A simple solution to this issue was to draft an amendment to the lease agreement that increased the hourly lease rate by \$500.

For more information, please contact the Aviation Law Practice Group at Lane Powell:

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