

Cost Per Flight Hour

Costs and Uses of King Air N777AQ At the University of Southern Mississippi

The purpose of this report is to show readers how to calculate cost per flight hour and use it to determine the cost of flights of N777AQ. We will also show why, in detail, cost per flight hour changes through time, but has in fact remained from beginning of the lease/purchase of N777AQ to the current time, over \$5,500, not the \$800 as claimed by President Saunders.

The data used to measure cost per flight hour, costs of particular flights, and total costs to date are provided by the University of Southern Mississippi. usmnews.net employed the Mississippi Open Records Act (MORA) to obtain the information. usmnews.net invites readers to replicate and measure cost per flight hour for themselves and apply them to particular flights. As importantly, we invite readers to confirm the total cost of N777AQ to date. Since usmnews.net has paved the way obtaining information from Southern Miss via MORA, readers should expect to acquire cost and airplane use data with a minimum of delay and hassle. Thus, readers will not need to rely on usmnews.net's data or measurements. They may verify facts and confirm the measurements for themselves. (More will be offered with regard to this idea in the conclusion.)

For readers who choose not to obtain the data from Southern Miss, usmnews.net has set up this report to link to the data usmnews.net received from Southern Miss. So, readers who are interested in the details can access them in this report.

Differences in cost per flight hour over time are best understood by first reviewing the ratio on which it is based.

Cost per flight hour = (Total cost to date / total number of flight hours to date)

Generally, both costs and flight hours increase with passage of time. (Of course, any cost, such as insurance, maintenance, hanger fees, lease payments, etc., are incurred even if an airplane is not flown.) Flight hours increase as the plane is put in service.

So, cost per flight hour changes when total cost changes or when total number of flight hours change. Costs include all costs incurred for the airplane. In the case of N777AQ, costs are identified in the lease agreements. They include [all costs of N777AQ](#), e.g., lease payments, pilots' salaries, insurance, fuel, maintenance, hanger fees, etc. All costs of N777AQ are paid by Mississippi taxpayers and Southern Miss students. (See the lease/purchase agreements.)

**N777AQ Cost per flight hour =
(Total cost to date / total number of flight hours to date)**

See, USM N777AQ Cost [Data Set 1](#) and [Data Set 2](#) to access documents acquired through MORA requests. With these records, you can measure total cost of N777AQ. (A word of caution: The data sets Southern Miss provided overlap in time. Be careful not to double count.) The first 18 months of use, the cost per flight hour was:

\$5,971.11 = (\$737,133.72 total actual cash outflow costs / 123.45 actual total flight hours)

See, pilots' logs to measure total flight hours for first 18 months, [2009-2010](#).

Now, let's measure cost per flight hour by including an additional year of costs and usage. See, [Data Set 3](#) and the additional [flight hours](#): that is, the cost per flight hour for the first two and half years is:

\$5,501.10 = (\$1,163,207.05 total actual cash outflow costs / 211.45 actual total flight hours)

(\$737,133.72 + \$426,073.33 = \$1,163,207.05 total actual cash outflow costs; (123.45 + 88 = 211.45 actual total flight hours)

Note that the actual cost per flight hour declined but remains above \$5,500 per flight hour. Also note that the total cost increased. After two and a half years, the cost of the plan is well over a million dollars. And that does not include the required balloon payment at the end of the lease/purchase agreement, which would bump the cost over two million.

Next, we apply the cost per flight hour to determine the cost of employing N777AQ on a particular trip. The flight cost for a particular trip is measured as follows:

Cost of employing N777AQ on a particular flight = (Cost per flight hour X the actual number of hours employed on the particular trip)

N777AQ to the Beef-O-Brady's Bowl

usmnews.net illustrates an application of cost per flight hour with regard to Dr. Saunders' flights to/from the Beef-O-Brady's Bowl. It is well suited for this report because Southern Miss thought it was an important enough trip to include with the last two years of responses to open records requests. So, we will use this flight to show how the cost per flight hour is measured and changes over time.

During the first 18 months, N777AQ was flown to the Beef-O-Brady's Bowl. So, usmnews.net reported the flight cost using the measure of cost per flight hour and usage of N777AQ during the first 18 months. We repeat that measurement first for convenience of the reader.

January 7, 2011, [USM Interdepartmental Invoice](#) reports a use of N777AQ on December 20 and 22, 2010 for a “5.1 hour round trip to St. Petersburg, FL for Dr. Martha Saunders, Troy Johnson [Jackson attorney], Doug Davis [MS State Senator], Doug [Member of IHL] and Pam [Doug’s spouse] Rouse, and Joe Bailey [Saunders’ husband].” Southern Miss pilots’ “[King Air N777AQ Trip Log](#)” listed an additional passenger: C. Driskell, Executive Assistant to President Saunders for External Affairs. **The purpose of the flight as reported in USM’s “Interdepartmental Invoice” was to attend “the Beef-O-Brady’s Bowl.”**

The number of actual flight hours as reported by the pilots in the “King Air N777AQ Trip Log” was 5.1. The cost to Mississippi taxpayers and Southern Miss students for Dr. Saunders and a chosen few to fly N777AQ to the Beef-O-Brady’s Bowl was

\$30,452.66 = (\$5,971.11 actual cost per flight hour X 5.1 actual flight hours)

Saunders publicly claims an estimated cost per flight hour of \$800. Southern Miss “Interdepartmental Invoice” reports that she charged a total estimated cost of \$4,080 (5.1 X \$800) to the President’s Office for the flight to the Beef-O-Brady’s Bowl. That does not change the actual cost incurred of \$30,452.66. The accounting records report the actual costs.

Please note that when the \$907,053.85 balloon payment (see the purchase/lease agreements), which is due at the end of the five year lease, is amortized over the five years of the lease/purchase, the cost per flight hour is **\$8,910.28**. Including the balloon payment, this use of N777AQ cost **\$45,442.43**. (Please note that usmnews.net has confirmed the existence of an extension of the lease through 2019. To date, Southern Miss has withheld the written lease extension agreement. When the agreement is provided, usmnews.net will supplement this report.)

Let’s now apply the cost per flight hour with two and half years of data. Since we did not have the two and a half years of data at the time of the Beef-O-Brady’s Bowl flight, the following calculation shows how cost per flight hour would change.

The cost to fly N777AQ to the Beef-O-Brady’s Bowl would have been:

\$28,055.61 = (\$5,501.10 cost per flight hour X 5.1 actual flight hours)

Please note that when the \$907,053.85 balloon payment, which is due at the end of the five year lease, is amortized over the five years of the purchase/lease, the cost per flight hour is **\$8,074.91**. Including the balloon payment, this flight cost **\$41,182.04**.

President Saunders owes an explanation: She and other Southern Miss officials represented that their estimated cost of \$800 per flight hour might be slightly more expensive than commercial rates. They have not corrected this material misrepresentation. The difference between the *minimum* actual cash outflow cost per flight hour of **\$5,500** and her estimated cost per flight hour of \$800 is material by any

measure. Also note that it again shows that President Saunders' claim of \$800 per flight hour is so inaccurate as to be negligence or intentional misrepresentation.

As public records demonstrate, the only way \$800 per flight hour can be an accurate representation is that the lease payments are the **only** costs and the number of flight hours per year is **at least** 246. ($\$16,428.40 \times 12$ months per year / 246 hours = \$801.38 per flight hour) (If the balloon payment is factored in, the variance between Dr. Saunders' claimed cost per flight hour and the actual cost per flight hour increases dramatically. ($\$16,428.40 \times 12$ months per year = \$197,140.80 per year in lease payments. Amortizing the balloon payment over a five year period: $\$907,053.85 / 5$ years = \$181,410.77 per year. Total annual lease obligation including amortized balloon payment = $\$197,140.80 + \$181,410.77 = \$378,551.57$. $\$378,551.57 / \800 per hour = 473 hours or the number of flight hours necessary to equal \$800 per hour flight cost.) In fact, based on Southern Miss' own records, the plane has never been in the air for as much as 100 hours during any given year in which it has been in Southern Miss' possession. Of course, [lease payments](#) are only the tip of an iceberg of costs. A few examples of N777AQ's costs include fuel, [maintenance](#), [repairs](#), hangar fees, pilots' salaries and [training](#), [insurance](#), etc. In fact, most of these costs are incurred even if the plane is never used. Costs like lease payments, maintenance, hangar fees, and insurance have to be paid even if the plane never moves. And rest assured, as an airplane gets older, its costs increase. Think maintenance and repairs.

The lease/purchase of N777AQ has the feel of a kid who wants something—just has to have it, and gets it without taking a few minutes to consider the costs or the consequences. For example, think [Samsung Galaxy Tablets](#).

Keep in mind, we use Dr. Saunders' records obtained through MORA. Now, you have access to the same detailed records and can confirm the measurements. **Furthermore, note that total actual cost after two and a half years is well over a million dollars (not including the balloon payment). Extrapolating to ten years of lease/purchase costs, Mississippi taxpayers and Southern Miss students can expect a total cost for N777AQ to exceed \$5,000,000. And that is a conservative expectation. Five million dollars pays for a lot of student scholarships and professors' salaries.**

We think you should ask yourself, has President Saunders effectively and efficiently employed student/taxpayer money in satisfaction of the mission of Southern Miss – the education of students?

No matter which way you look at the actual costs and usage, President Saunders has materially misrepresented N777AQ. Folks at the IHL frequently read usmnews.net. It knows these facts. There is no room to deny knowledge and responsibility for the costs of N777AQ. Consider, however, a problem with the IHL's oversight. Take a look at who benefits from the airplane: see, passenger list for the trip to the Beef-O-Brady Bowl.

One last thought. Let me propose an experiment for those of you who are scientists. Like good scientists, replication and confirmation are essential practices leading to accurate, reliable information. So, to that end, make an open records request from Southern Miss for cost information, the lease/purchase agreements, and flights (pilots' logs). See, <http://www.usm.edu/university-communications/public-records>

Measure the costs and hours of use of N777AQ and cost per flight hour. Report your findings and usmnews.net will publish them.