
CORBIS

THE NEW FACE OF BUSINESS AVIATION

It's no news to **AIN** readers that business aviation has taken a sound thrashing since the recession tightened its grip a couple of years ago. In this special report, we look at how business aviation has dealt with the bad press, hostile politics and sour economic outlook that began when the three "bizjet beggars" from Detroit made headlines in late 2008. Business aviation is as crucial as ever to the efficient conduct of commerce, but for the alphabet lobbyists it has been a slog to restore the segment's battered image. For operators the mission is to use bizav boldly, openly, wisely and profitably with renewed vigor, no apologies–and never another "no comment" when the cameras, microphones and notebooks are loaded for bear. *–N.M.*

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What got us into this fine mess, anyway?

by Nigel Moll

Here's a short story that relates, I think, to the plight of the business jet.

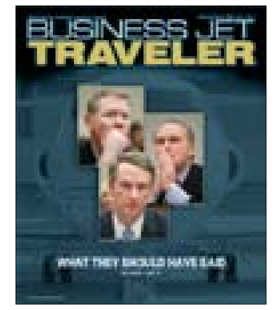
Good friends of ours who run a small medical practice were lamenting the double blow their medical insurance company has dealt them. They rent a modest office in which he provides physical therapy for people in pain and recovering from injury or surgery, and she runs the office side of the enterprise. The income from the business keeps a roof in northern New Jersey over this typical middle-class family's head, pays to put their daughter and son through good colleges and supports a modest but comfortable suburban lifestyle. Among those costs are the premiums for buying health insurance for the family. Unlike most earners, my friends see both sides of the equation in the medical insurance business because they derive their income from those same companies. This year, at a time when there has been no inflation to speak of, their medical insurance provider plundered both sides of the equation by raising their premium 29 percent, for an overall increase of 85 percent in the last four years; raising the amount the patient pays per visit by 400 or 500 percent; and reducing by 18 percent in that same four-year period the amount it pays them for providing medical service to patients. Some other companies have cut their reimbursement rate to medical providers by as much as 38 percent, my friends note.

According to the government's online inflation calculator, what cost $1,000 in 2006 would cost $1062.80 in 2009. Conversely, if you were to buy the same products in 2009 and 2006, they would cost you $1,000 and $914.29 respectively.

Here's how this relates to business aviation. Along with all the other honest, hard-working people who have been hurt by unbridled greed and irresponsible risk-taking over the last few years, my friends feel preyed upon by big business. Squeezed by government (taxes) on the income side and thievery by bloodsucking corporations on both the income and expenditure side, they've about had it with the system as they see it.

A shimmering glass-tower corporate headquarters might look excessive, but it clearly serves the thousands of people who toil inside it, doing what they do to keep the company a going concern. A sales meeting in Tahiti might raise an eyebrow or two, but unfortunately there is no finer symbol of corporate wretched excess than the private jet, which is perceived as a perk for the fattest of cats, the robber of robbers. Business/corporate aviation's penchant for stealth and secrecy, driven by the need to react swiftly and efficiently to opportunity and exemplified by NBAA's Barr (block aircraft registration request) program, does nothing to ease the public perception that these are royal barges facilitating a sybaritic lifestyle for overindulgent executives who are clearly profiting excessively at our expense.

Yes, yes, *we* all know the company jet is an indispensable business tool, but just ask the Washington alphabet groups that go to bat for business aviation how tough a sell that has been since the Detroit Three each flew to Washington in their private jet to beg for taxpayer rescue dollars. These were the leaders of the same companies that, for people old enough to have purchased many an American-made vehicle in the 1970s and 1980s, were perceived as guilty of squandering huge profits accumulated by foisting products of dubious quality and longevity on their customers, and now they needed those same customers, us, to bail them out.



The automaker executives did private aviation a disservice by declining to comment on their use of business jets rather than presenting a reasoned case for this mode of transportation.

The Detroit Three bizjet beggars opened a sore that has festered for the past couple of years but seems now–and no thanks to government–to be healing. The politicians in power saw there was hay to be made by vilifying public companies that operated their own jet, despite the fact that the senior players on the Hill have developed quite a taste for taxpayer-funded private lift themselves. President Obama has used Air Force One more than any of his predecessors, and Speaker Pelosi was not content with a mere Gulfstream for commuting to the left coast, clamoring instead for a 757.

To those who felt the damage that these politicians were publicly inflicting on business aviation, their own appetite for private lift was the worst hypocrisy. To their credit, the Washington business aviation lobbyists kept cool heads in public, focusing not on the hypocrisy but rather commending the politicians for endorsing business aviation by their frequent use of it.

In better times when people have more disposable income and their outlook is upbeat, they can overlook what they might otherwise regard as the excesses of travel by business jet. However, a couple of years ago, "otherwise" set in with a vengeance when the sky did indeed appear to be falling and suddenly, through no fault of its own, business aviation was portrayed by politicians and the mass media as symbolizing the worst of what had taken the economy to the brink of catastrophe.

Post-2008 business aviation has to accept the likelihood that while public anger at the negative symbolism of business jets might have retreated from its rolling boil for now, it will continue to simmer beneath a thin and fragile veneer of acceptance as life edges back from the precipice and moves on. NBAA and GAMA have plenty more work ahead of them to support the effective results already gained by the revival of the No Plane, No Gain advocacy campaign in February last year.

So what is the flight department of a public company to do? First, appoint someone who has the ear of the CEO to serve as a common-sense ombudsman and offer timely counsel about the wisdom of saddling up the company jet for any trip the press could latch onto as unnecessary or unjustifiable–using the Detroit Three's collective lapse of judgment as a case study in how not to behave when the poop hits the first compressor stage.

Generally speaking, resist the lure of stealth. The aforementioned secrecy that tended to enshroud bizav operations fueled distrust about its purpose, as did the numbskull "no comment" responses from the Detroit Three when asked by a TV crew why they had flown their business jets to D.C. NBAA and GAMA continue to spread the word about the value of business aviation with evangelical fervor. "We urge operators not to try to stay under the radar," Ed Bolen told **AIN**. "Rather than hide, trumpet its use and its effectiveness."

I would suggest there is a flip side to that strategy, however. Large gaggles of "business" jets at a "leisure" event can too easily be seen as a contradiction in terms. Unless you're a team owner or a TV sponsor or have a clear business purpose for attending, do you really have to land the corporate jet on the doorstep of the game/tournament/match? Why not land 100 miles short and drive your execs and gold-standard customers to the event in a rented Prevost luxo-bus limo? That's not hiding; it's doing the reputation of business aviation a favor, and you might even be airborne sooner after the game by avoiding the mass exodus at the closer-in field.

What right does the public have to object to business aviation? If we arrogantly maintain "none, so get stuffed" and carry on regardless, we'll be vulnerable to the sort of angry glare we've endured recently and the readiness with which politicians will pander to the frothed-up ire.

Business Aviation Proves Its Worth

NBAA and GAMA have done a lot of heavy lifting to turn this mess around. They have effectively communicated to policy makers and opinion leaders how valuable business aviation is to companies of all sizes, and not just for senior management but for employees of all levels; to the more than 100 communities last year that lost all or most of their airline service; to those devastated by natural disasters such as Hurricane Katrina and the Haiti earthquake; and to those in urgent medical need (organ transplant transportation, Corporate Angel Network and so on).

The House GA caucus now has more than 120 members, with 31 more in the Senate–powerful people who have raised their hand to say, "Please identify me as a supporter of this industry, which provides jobs for 1.2 million people in America." Both houses of Congress and 13 states (soon to be 14 when New Jersey officially signs on) have passed resolutions and proclamations about the benefits and value of business aviation.

Use this wonderful business tool boldly, wisely, openly and profitably and it will continue to serve its users and the vital industry we all depend on well. It seems business aviation can count on one thing that continues to play in its favor: airline travel becomes ever less tolerable and less productive. ❏

The ramp at Miami Executive Aviation was teeming with business jets during the 2007 Super Bowl, as fans flew in on their private aircraft to watch the Colts face off against the Bears. In the current climate of negative public opinion, travelers might want to consider not parking their airplanes at the nearest airport, but rather flying to an airport farther afield so as not to give critics a mother lode to support their assertions about "fat cats" riding the gravy train to leisure appointments.


MIAMI EXECUTIVE AVIATION/JOE KLUCAR

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Industry cautiously optimistic about reviving the good ol' days

by Kirby J. Harrison

It wasn't that long ago that business aviation was happily floating in black ink, buoyed by demand that outpaced its ability to produce airplanes, and all on the back of a thriving global economy. We all know what happened a couple of years ago, and the question now is, "What's being done to right the ship and bring back those good old days that stretched from early 2003 into early 2008?"

NBAA was among the first to leap to the defense of the business aviation industry. The association relaunched its successful "No Plane, No Gain," offensive in February last year, less than three months after the CEOs of Detroit's big three auto manufacturers flew to Washington on separate company jets to plead for a financial bailout.

The flights by the feckless trio had resulted in a public flogging by the media and politicians, and some industry insiders observed that market reaction was nearly as damaging to business aviation as the recession.

Since then, NBAA has built an all-out defense of business aviation that president and CEO Ed Bolen acknowledges is based on the idea that the best defense is a good offense.

"We believe that business aviation is essential to economic development in communities all over the country with little or no airline service, to companies doing more with less, and to our country's emergency response efforts," said Bolen. "If people understand this, they will want to promote and protect this industry. But if they perceive it as frivolous or unnecessary, then we are at risk."

The business aviation industry, he added, represents 1.2 million jobs, has an annual $150 billion impact on our economy, and is one of few industries that has a positive impact on our balance of trade.

Both Bolen and GAMA v-p of government affairs Paul Feldman believe that education efforts are having a positive impact, in particular righting a perception of business aviation as being populated by "fat cat elitists."

Earlier this year, said Feldman, both the House and Senate passed resolutions recognizing the contributions of the general aviation community, including business aviation, in providing relief for the people of Haiti following the January 12 earthquake that killed an estimated 100,000. He further noted the creation of a general aviation caucus in both the House and Senate, and that more than a dozen governors have signed proclamations citing the value of business aviation.

Of a more practical nature is the *bonus depreciation bill,* which Congress has yet to pass. Bolen noted that bonus depreciation provided a significant shot in the arm for business aviation in the downturn that followed the terrorist attacks of 9/11, and one that is needed now to spur business aircraft sales.

Finally, the promotion of business aviation has extended beyond the usual, and necessary, lobbying efforts and spread to social networking sites. Even YouTube is carrying videos in which investor and financier Warren Buffett, golfing legend Arnold Palmer and Bolen praise the advantages of business aviation.

Manufacturers Look Ahead

Meanwhile, business aviation manufacturers have responded to the current economic climate primarily by adjusting both short- and long-range strategy.

For example, they are looking beyond the historically lucrative North American market into regions where the economies have continued to grow despite the U.S. recession. In a ceremony in late August, Brazilian OEM Embraer turned over the first Lineage 1000 business jet to Mexican customer Grupo Omnilife.

Perhaps more impressive was Bombardier's performance at the Farnborough airshow in July. The Canadian OEM signed contracts for 14 Global Express XRSs and Global 5000s and Challenger 605s, all of them with European, Mediterranean and Russian buyers.

At the recent Latin American Business Aviation Conference & Exhibition in São Paulo, Brazil, Dassault Falcon president and CEO John Rosanvallon said he expects to deliver 13 new Falcons in Brazil alone over the next five years.

Also evidence of the changing market demographic were recent reports of increased charter activity in Europe. Swiss operator VistaJet reported a 20-percent jump in revenue last year and was expecting delivery of two more aircraft this year. And part of a restructuring by Geneva-based PrivatAir, in addition to its purchase by private investors, is the creation of a facility in the Persian Gulf kingdom of Bahrain. Further, fractional operator NetJets, with revenues up 17 percent in the first half of this year compared with the same period a year ago, attributed the gain primarily to a worldwide increase in flight revenue hours.

As for when an economic recovery can begin in earnest, most of the industry is cautiously optimistic, meaning manufacturers continue to cut production and reduce their workforce as market demand dictates. At the same time, business aviation stalwarts Cessna, Bombardier, Dassault and Gulfstream devote money to research and development, aware that when times get better, they must have a product that is fresh, new and technologically advanced. "Nobody can risk the future by clinging blindly to the present," said Rosanvallon. ❑

KIRBY J. HARRISON

In the boom days of 2003 to 2008, companies boosted their flight departments and charter and fractional flying continued to grow, seemingly with no end in sight.

Pre-owned market stagnates, stymied by slow new-jet sales

by Matt Thurber

The inventory of used business jets has dropped slightly from a record 2,910 aircraft in July 2009, the trough of the recession, to 2,617 in July this year, according to market research firm Jetnet. While the total number of pre-owned business jets on the market decreased to 14.9 percent in July 2010 from the record 17.7 percent of the jet fleet in 2009, it is interesting to note how the different age categories have changed since last year. There were fewer used jets for sale in July 2010 versus July 2009 up to the 26- to 30-year-old category, but the number climbed sharply for jets older than 30 years.

Retail jet transactions are on the rise, according to Amstat, which reported that 2.4 percent of the worldwide fleet of business jets traded hands during the second quarter of this year, compared with 2 percent in the first quarter. A "normal" healthy market sees transactions at about 3 percent of the fleet, Amstat noted, but "the improvements in Q2 are welcome news nonetheless. The market is moving in the right direction."

"The lagging effects of the recession and new concerns over how strong the recovery is have caused [the market] to slow down," said Michael Amalfitano, executive head Banc of America Leasing Global Corporate Aircraft Finance. "That excess supply is keeping downward pressure on prices. It's not reasonable to expect any significant lift in the business jet market before the economic landscape improves further."

Although Amalfitano expects improvement to take hold in the second half of next year "at the earliest," he said, "the challenge is determining if are we in a new normal." Signs that the industry has suffered what could be a permanent change include the fact that the wholesale market for business jets has disappeared. "There are no dealers buying for resale," Amalfitano said. "They fear the market is unstable."

Another sign is that while financing is available to qualified buyers, most are using cash to buy jets now because it is so difficult to obtain a reasonable return on investment with unallocated money. Traditionally, jet buyers were split 50/50 between using cash or financing, he said. Through the second quarter of this year, cash buyers accounted for 76.8 percent of trades. Another factor influencing this is new accounting regulations that could require leases to be counted as debt. "The slow recovery coupled with economic and financial dynamics will impact the recovery," he said.

The Fate of Older Jets

There won't be any recovery until jet values return to their historical valuation line, according to Amalfitano. Generally, any airplane that is two models older than the current production model is at risk of being a challenged asset and will have a tough time recovering its value. As an example, he cited the Bombardier Challenger 605 as the current model and the 601 as "a challenged product." Currently of the nearly 3,000 used jets on the market, about 1,500 are below the historical line, he said, "anything older than 15 years for sure. We believe there are several that won't come back to normal." This doesn't mean they don't have any useful life, but they will not have the demand they enjoyed before the recession.

So what does Amalfitano suggest owners do with older jets? "You may need to sell," he said, "but nobody's buying. Salvage values are high, and parting out at that age is more valuable than selling it. There's definite value, just not as a flying tool."

Dave Labrozzi, president of GE

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Alternative lift options prove no substitute for flight departments

by Matt Thurber

The growth of fractional-share operations that began with NetJets and expanded to today's big-four jet share operators does not seem to have had a dramatic effect on the number of flight departments that exist. Charter has always been an available option for non-airline transportation, and more recently jet cards have grown as a relatively low-cost point of entry for new business aviation users. Despite the widespread availability of all of these options, traditional flight departments remain a significant part of the general aviation industry.

That said, it's difficult to quantify the number of flight departments or companies and individuals that own and operate business jets exclusively under Part 91 regulations (or non-commercially in countries other than the U.S.). NBAA doesn't parse its membership rolls to account for how members' aircraft are operated. Certainly there has been a loss of flight departments during the recession, but no one has yet tallied how many have shut down during the past two years, nor how many were created.

"I have no doubt in my mind that the 'Motown Three' are still flying in private aircraft," said Bill Quinn, chairman of consultancy Aviation Management Systems of Portsmouth, N.H., "but they're doing it on the basis of nobody seeing it." The disastrous lack of defense of business aviation by leaders of the big three automakers during congressional testimony in November 2008 directly caused a wave of flight department shutdowns, including their own. But Quinn is certain that the automakers and others that used to fly in their own business aircraft shifted their patronage to alternative sources such as fractionals, charter and jet cards.

> "I have no doubt in my mind that the 'Motown Three' are still flying in private aircraft." –*Bill Quinn*

Development of those alternative options is not just the result of flight departments' closing, but is more likely because the huge number of new entrants into business aviation have paid attention and have an excellent understanding of these options and the costs involved. "Over the past 10 years, we've educated a huge number of people," said Quinn. "Fractionals have been a tremendous economic generator for us; they really put business aviation more in the limelight." But as consumers became smarter and started looking at the hourly occupied cost of their shares, some have decided that they could own an airplane more efficiently, he said.

The black eye business aviation received after the auto executives flew their jets to Washington asking for a bailout has changed the way some executives fly, as some companies elected to close their flight departments and opted instead for more charter and fractional flights, which provide similar benefits with less public scrutiny. Many flight departments endure, however.

That educational process also affected the charter business. "There has been an evolution of the market created by the fractionals," said Geoffrey Savage, director of sales for Elite Aviation, a charter/management company based in Van Nuys, Calif. What the fractionals did was teach consumers that they can buy point-to-point service and pay only for the time that they occupy the airplane, he explained. Many charter customers now seek one-way pricing because of that knowledge. After the fractionals grew into a significant segment of the market, jet cards were next. Although hourly costs for jet cards are high, buyers appreciated that they didn't have to buy an airplane or a share to enjoy the benefits of business jet travel.

The big question with fractionals and jet cards is whether they have replaced flight departments or supplement them. According to Quinn, in the early days of fractional operations, some flight departments switched completely to shares and some chose pure charter instead of aircraft ownership. But he doesn't see that

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Pre-owned sector sees slow recovery

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Capital, Corporate Aircraft Finance, expects jet values to increase as the economy improves and also that owners who still have a need for their aircraft will continue to fly. "Some owners may be unable to use their aircraft's depreciation, a major reason they elected to finance their aircraft with a loan," he told **AIN**. "In this case, owners may want to consider converting their loan to a lease, thereby realizing the value of their aircraft's depreciation through lower monthly payments. This allows them to transfer the aircraft's future value risk to the lessor, one of the major advantages of leasing."

Financing remains available for qualified buyers, according to Labrozzi. "For the most part, banks are servicing existing clients where they have deep relationships and focusing on aircraft younger than 15 years old."

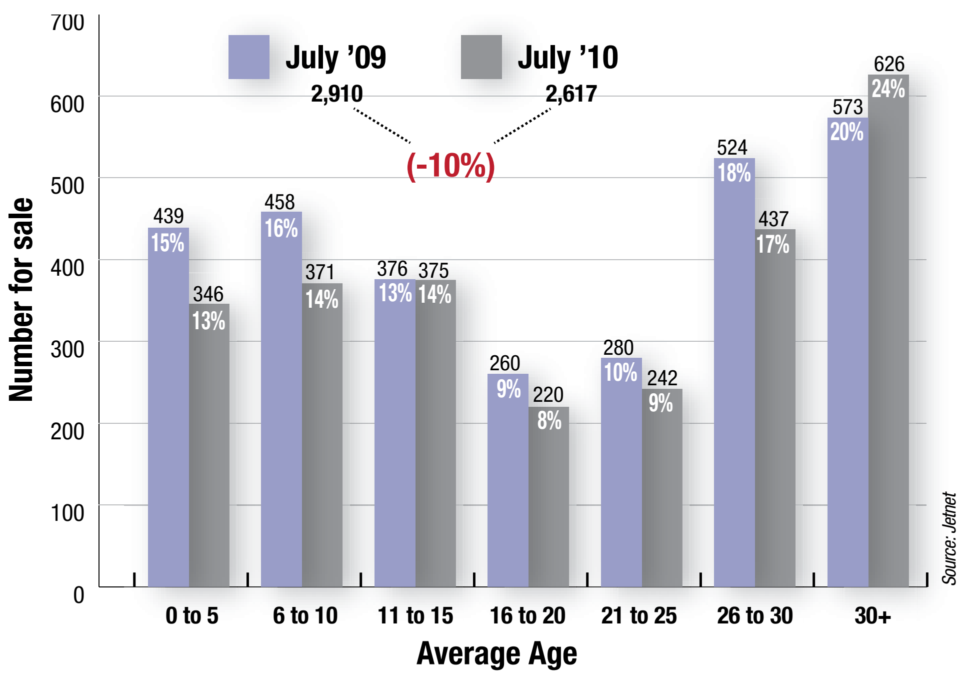
Although the used jet market seems to be stabilizing, a lot of owners are reducing prices to try to sell their jets, according to Brian Paul, president of a newly opened brokerage called JetBlack Aviation, with offices in Sarasota, Fla.; Los Angeles; and Washington, D.C. The entire market has shifted with so many jets' prices dropping so much, he said, and buyers can get a lot more jet for their money. Citation Vs that used to sell for $3 million are going for $1.5 to $2 million. One Gulfstream IV was priced at $5.75 million, and prices range to around $8 million, down from $12 to $20 million three years ago. Paul closed on a Challenger 600 recently that sold for $1.5 million instead of the $4.5 to $5 million that it used to command.

JetBlack has financial backing enabling it to take airplanes on trade and assist with in-house financing, according to Paul. "Everything sells at a price," he said, "but we don't have buyers even at the right price. It's a big wait-and-see game."

One disadvantage of older aircraft is the cost of maintenance. And owners trying to sell Challenger 600s right now are facing upcoming 10-year landing-gear overhauls. Fifty percent of the Challenger 600s will require this work soon, he said, at a cost of $200,000 to $400,000. Engine program costs for Challenger 600s have grown recently, too, "and that has hindered the value," he explained. "Hourly costs and maintenance costs are why their value has declined so much."

Data from market analysis firm Conklin & de Decker supports that. "Aging has a profound impact on maintenance costs," according to an article titled "How old is too old?" by Bill de Decker. By the time a jet reaches age 30, maintenance costs are 2.2 times what they were at age five, he noted. What is more important is reliability and availability. "Availability drops from the 95-percent range for aircraft up to 15 to 20 years of age to an average of 70 percent at age 25 and 55 percent at age 30," he wrote. The loss of potential revenue for a charter operator and availability for a corporate operator means that "at some point, an old aircraft is no longer economically viable and should be withdrawn from service."

Pre-owned Business Jets for Sale July 2010 vs July 2009



Like JetBlack's Brian Paul, Steve Gade, vice president of sales and marketing at Duncan Aviation, is at the front lines of trying to sell airplanes and services in this tough market. Some owners of older business jets are mothballing their airplanes (and Gade warns owners to be careful how this is done to ensure

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Industry continues the fight to restore its public image

by Stephen Pope

Anyone who attended the 2008 NBAA Convention in Orlando undoubtedly still has vivid recollections–or perhaps nightmares, depending on your personal situation–of the precise moment when business aviation's fortunes pivoted from lofty exuberance to sudden trepidation. The lead up to the show had been punctuated by the promise of several big-ticket aircraft orders and a sense of optimism even in the face of gathering economic storm clouds–something the pundits on television were calling the "sub-prime mortgage crisis." Still, manufacturers and attendees arrived for the show worrying less about ripples in the economy than about which Orlando restaurant they would hit first. And why not? There would be no 9/11 or Hurricane Katrina to wreck this show. Business jet makers were enjoying their best year ever. For a fleeting moment it seemed as though NBAA 2008 would be all about letting the good times roll.

Then the convention started. There were the usual ribbon cuttings, a few handshake deals perhaps, and the broad smiles from the NBAA and industry brass. But those smiles quickly disappeared when the New York Stock Exchange opened and the Dow Jones industrial average plummeted, falling a staggering 800 points, its biggest one-day drop ever. In a span of hours on October 6, four years of stock market gains were wiped off the books. By the time show attendees started shuffling out of Orlando's Orange County Convention Center that afternoon the only thing anybody knew for sure was that the party was over.

Five months later the picture was much clearer: the Dow had gone from a pre-crisis high of almost 14,000 points to less than half that–6,547 points–by March 2009. The public was furious. Politicians called for heads to roll, and banking industry executives hid under their desks. Well, not all of them. As Merrill Lynch was losing tens of billions of dollars, its new CEO, John Thain, threw out his old desk–and spent more than a million dollars redecorating his office. When word got out that Citibank was about to take delivery of a new Dassault Falcon 7X, the press went ballistic with stories about taxpayer bailouts being used to buy a $50 million private jet–built in France, no less.

What those articles never mentioned was that Dassault Falcon employed more than 2,300 Americans at a sprawling completion center in Little Rock, Ark. Many of those workers and thousands more in the aviation industry would lose their jobs as corporations canceled or deferred orders at a rate that would have been unthinkable a year before.

In the months leading up to the 2008 NBAA Convention, most industry pundits confidently predicted a "soft landing" for business aviation. They pointed to increasing sales from buyers in Europe, Asia, the Middle East and South America as the catalyst for what most thought would be a shallow, short-lived dip.

We all know how that turned out. Chief executives at companies all around the world suddenly had to deal with a global financial crisis unlike anything they had experienced in their careers. Buying a business jet after the stock market's October 2008 freefall also became much harder because of the tourniquet placed on credit. Adding to an already dire situation, taking delivery of an airplane carried with it the possibility of attracting negative public and political scrutiny. Never mind buying a new business jet; corporations en masse started putting the airplanes they already owned up for sale.

What really got people mad, of course, were those flights to Washington by the Detroit auto CEOs, who arrived on separate private jets to ask for billions of dollars in taxpayer bailouts. "Couldn't you all have downgraded to first class, or jetpooled or something to get here?" one Congressman famously asked the trio during the hearings.

The trouble started on Nov. 19, 2008, with a report by ABC News correspondent Brian Ross blasting the auto CEOs for flying on "luxurious private jets" to announce they needed $25 billion in bailout money to avoid bankruptcy. The segment lasted less than four minutes, but by the time it was over the reputations of CEOs who led "lavish" lifestyles even as their companies teetered on the brink lay in tatters.

Immediately after the hearings, Ross peppered the CEOs with questions about the companies' airplanes. "Are you prepared to sacrifice your private jet, sir?" he asked Ford's Alan Mulally, who ducked out of the room without responding. "You've got your big jet parked here," Ross said to GM then-CEO Rick Wagoner. "Could you not have flown commercial?" Wagoner muttered something about attending an earlier meeting before he too exited.

No Plane, No Gain Revived

The criticism of business aviation didn't stop with the automakers as the corporate jet fleets of other distressed firms came under intensifying media and political scrutiny. To counter the critics, NBAA and GAMA resurrected the "No Plane, No Gain" advocacy program, which was originally created in the 1990s to promote business aviation. The organizations launched a series of television and newspaper ads that made the case for business aviation in terms the public could understand. NBAA president Ed Bolen was a frequent guest on TV news programs, where he hammered home the message that business aircraft are good for business. Behind the scenes, Bolen and GAMA president Pete Bunce pressed the politicians to stop bashing the industry, pointing out that it generates $150 billion a year in U.S. economic output and supports more than a million American jobs.

Next, the members of the U.S. House and Senate formed general aviation caucuses to, in the words of the aviation-friendly politicians, "work with pilots, aircraft owners, the aviation industry and relevant government agencies to ensure a safe and vibrant environment exists for GA in our country." Governors of several states have joined the fight, stating publicly that a healthy aviation industry means jobs.

The result of these efforts has been a steadily improving image of business jets as reporters who only a year ago might have written critical articles today are writing editorials pointing out how companies and communities can benefit from corporate aircraft. NBAA, GAMA and the manufacturers, of course, deserve a good deal of the credit for presenting their side of the story and helping to sway public opinion. The challenge now will be in continuing to build on this momentum by educating the public and politicians about all the reasons business airplanes can make perfect business sense. ❑

Pre-owned sector sees slow recovery

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that airworthiness and asset value are maintained), while many are still flying their jets. "We're seeing an uptick in prebuys [prepurchase inspections]," he said. "That is positive." In the age categories, aircraft less than 10 years old are flying and owners are spending money on maintenance. Aircraft older than 25 years are flying a lot less, he said.

Gil Wolin, a veteran of the business jet management and charter business, sees a lot of "emotional anchoring" in the business jet market, where owners paid peak prices for their jets but now refuse to sell because the jet is worth millions less. "Normally they would make the cold-hearted decision to sell," he said, "but they're not doing it because they're not going to lose millions. And it still has some utility so they continue to fly."

New-model Options

Wolin believes there are many business jet loans that are underwater, with the underlying value of the jet far less than the amount of the loan. Just a few years ago, a used Gulfstream IV-SP would sell in the mid-$20 million range. "Today that airplane is $12 to $14 million," he said. "It will never go back to $23 million." And by the time the economy improves, that GIV-SP will need refurbishment and will be competing with used G400s and G450s. Many of the used airplanes on the market now are not that old, he said. "They're still good airplanes, still worth keeping in good shape, but at some point somebody's going to have to make a decision."

"It's all the economy," said Clay Lacy, founder of Clay Lacy Aviation, which operates two West Coast FBOs and charter/management, aircraft sales, aerial photography and maintenance divisions. The reason jet prices are down, he said, "is demand is down. There is only one thing that will increase business, and that is delivery of new airplanes. New is the main driving force."

Part of the problem is that manufacturers are not offering huge differences in performance with newer models. Buyers have an enormous number of quality used jets to choose from and little incentive to buy new. "What you get for the money has changed," he said.

A big fan of older jets, Lacy was a pivotal player in the early days of business aviation, helping popularize the Learjet when it first came on the market. "If properly maintained," he said, "there's nothing wrong with them." Over the years, older pre-owned jets used to end up in countries where fuel was cheap and noise wasn't an issue, such as Mexico and South America. That just isn't happening now, he said, because buyers are savvier and understand that they need Stage III airplanes if they want to fly to the U.S. and Europe.

"We've got to get the inventory cleared out," said Brad Wollen, Clay Lacy Aviation's Seattle general manager and vice president of aircraft sales. "I hope we are at the bottom."

"The economy has got to be good enough for people to buy again," Lacy said. "It's not going to happen overnight." ❑

Alternative lift vs flight departments

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happening much now; flight departments are more often using fractionals, charter and jet cards as supplementary lift. And indeed companies such as Bombardier Flexjet and CitationAir by Cessna are strongly marketing their supplementary lift capabilities as well as their more recent new offerings of whole-aircraft management.

Quinn believes that jet-card programs have suffered more than fractionals and charter because the recession has forced many potential buyers to avoid spending disposable income on business aircraft travel. "Card programs were predominantly consumer-driven, not corporate-driven," he said.

Randy Brandoff, executive vice president and chief marketing officer at jet card provider Marquis Jet (which works exclusively with NetJets), has a different perspective. "Marquis is doing well," he said. "We just had a strong summer." Although he couldn't provide specific numbers, "Anecdotally," he said, "jet cards have been a

Jet cards can provide supplemental lift or an alternative to a flight department for an image-conscious organization.

popular option among flight departments, in a supplementary way." Flight departments use jet cards as a relatively low-cost way to try a different airplane type before buying, he explained. They also buy jet cards to use a different airplane type, for example, if a trip benefits from a smaller airplane than the company's large-cabin jet or when multiple airplanes are needed to complete a mission. Jet cards also provide a backup when flight department aircraft are down for maintenance.

Brandoff has seen situations where companies sold all their aircraft and used jet cards instead, but he believes that is happening less as the economy recovers.

Overall, Quinn concluded, "Charter is definitely the cheapest game in town. You can turn it on or off whenever you want to and buy block time. I think, provided we don't see more economic calamities, we're headed back to a more robust interest in ownership. Management is going to pick up. Economy of scale is going to come into play; if they want an airplane, it doesn't make sense to leave it sitting in a hangar, so they'll let it work to the extent that a charter operator they're working with can make that happen. I believe we're going to see more emphasis on whole airplane ownership [although] fractionals will always be there." ❏