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Are We Truly in a Recovery?

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When reading the numerous trade journals I receive, both in hard copy and online, the reviews, with respect to a recovery for business aviation, are varied, to say the least.

J.P. Morgan recently reported the business jet market “remains highly mixed” with improved activity in large-cabin jets being offset by the drag in the light end of the turbine market. While the number of pre-owned business jets sold fell recently, the decline was a very modest 0.1%, but it does seem to be headed in the right direction. None-the-less, it is still a buyer’s market with just over 10% of the world’s fleet currently for sale.

John Rosanvallon, President and CEO of Dassault Falcon Jet, recently stated that after 2013 got off to a good start in January and February, the activity, very clearly, became “disappointing” in March and April. While the company managed to post an increase in orders for the first quarter of ‘13 over the same period in 2012, senior management at Dassault remains “perplexed” by the worldwide sales trends. John was also quoted as saying “...the dynamics in Washington are not helping,” and I could not agree more!

I believe it goes without saying that the entire industry was very disappointed in April when Textron announced that its Cessna unit would need to reduce production, particularly in the light segment of their product line, as their 2013 billings are expected to be several hundred million dollars lower than reported in 2012. While the General Aviation Manufacturers Association (GAMA) membership posted an aggregate 9.6% increase in aircraft sold for first quarter 2013 over first quarter 2012, actual business jet deliveries contributed a modest four units. And in a similar statement made during EBACE by Mr. Rosanvallon, GAMA’s Pete Bunce was quoted as saying, “The mixed performance demonstrates the need for the industry’s continued engagement with elected officials and regulators throughout the world as we seek to strengthen the GA sector.”

There is no doubt that we have recently witnessed some positive signs of recovery. Historically, one of the precursors for any industry recovery is the need for strong corporate profits. While we seem to have achieved the corporate profits benchmark, the continued weak market, particularly in the light and medium aircraft segments, raises the question of just when we will actually begin to enjoy a truly sustained recovery.

We can continue to ruminate about new and pre-owned deliveries and their relationship to a true recovery ad nauseam. However, I personally believe an important factor that we cannot leave out of the equation is “flying” itself. Flight hour trends, in my opinion, tell a story of their own when we look at where the business aviation industry stands

right now. As a good friend of mine once said, “Increased flying means people are actually back to the business of doing business.” I for one cannot disagree, so let’s take a look at flight hours and what is being reported.

John Rosanvallon noted that flight hours in Europe are reflecting no signs of a recovery. Specifically for Dassault, Latin America and Asia are the most active regions. However, China is slightly less active now than it used to be. The TraqPak data provided by aviation services company, ARGUS, reported that business aircraft activity in the U.S. fell for the third consecutive month, with flight hours down slightly in April by 0.4 percent, year over year. While their information reports a double digit gain of 10.5 percent from a year ago in Part 135 flight activity, Part 91 flying, sadly, dropped off 3.2 percent for the same period. To really understand how dramatically flight hour trends have migrated, one really needs to compare current activity to the halcyon days of 2007 and early 2008.

The Jet Support Services, Inc. (JSSI) portfolio represents more than 1500 different clients flying turbine powered “business” aircraft of all types, including everything from a single engine Caravan to a Boeing Business Jet and virtually everything in between, from 74 different countries. As reference to the flight activity factor and its effect on the industry recovery, Neil Book, President and CEO for JSSI, has interesting insight and some intriguing statistics to add to this discussion.

“Flight hours are a clear indicator of the overall health of the economy. The better the business environment, the more efficient executives must be with their time, and that’s one of the reasons why we see certain upticks in business aircraft usage,” states Neil Book. “While the overall decline in flight hours during the 2012 calendar year is not surprising, we have seen mixed results from how flight hours are improving within certain business sectors and in different parts of the world. That being said, business aviation is considerably healthier than those dark days of 2008, where there was a decline of 27% in flight hours for JSSI clients.”

So the one thing consistent within all the industry reports we read on a daily basis is that we continue to see mixed results from recovery indicators. Pre-owned aircraft sales, new deliveries, and flight hours all indicate some bright spots within certain market segments, as well as continued weak activity in areas that were traditionally strong. As much as I fight off the notion, I can’t help but think that this could be the new normal for our industry, at least for a few more years.

Louis C. Seno Bio

As Chairman Emeritus and Special Advisor to the JSSI Board of Directors, Mr. Seno provides advice and counsel to the JSSI Board and represents JSSI at important business aviation conferences, events and meetings. Prior to joining JSSI, Mr. Seno held senior management positions at the business aircraft units of Boeing Capital Corp. and G.E. Capital Solutions.

Mr. Seno serves on the Board of Directors of the General Aviation Manufacturers Association and Duncan Aviation and is a member of the Board of Governors of The Flight Safety Foundation. Since 2001, Mr. Seno has been an active member of the Embry-Riddle Aeronautical University President's Advisory Board and has been named as a trustee for the Institution.

He holds an Airline Transport Pilot certificate along with a Cessna Citation Jet type rating. As a pilot, Mr. Seno has logged more than six thousand hours of flying time in numerous piston and turbine aircraft.