

The Metrics Of Business Aviation Recovery

Phones are ringing, demonstrations and viewings are taking place and actual sales are occurring. It just plain feels good!

It seems everyone I am speaking with is reporting this new level of activity. By the way, it is not rocket science to predict the trickle-effect of the sales activity, such as maintenance facilities getting booked up. This is in part from pre-buy activity, and in part because utilization of the fleet at large is increasing. The time between hourly and cycle intervals is starting to be more frequent as dormant fleets are back in the air, and thus helping to increase fuel sales. We are also seeing an increase in new acquisitions, which means pilots are starting to get hired, insurance policies are sold, and management companies are re-engaging. Our industry seems to be waking up after a long, cold winter.

I do not think anyone would disagree that we are seeing an increase in activity levels, but where there may be some disagreement is with how we will measure this recovery, as well as for how long we will call this a recovery and when will we start to call our industry "back to normal".

Moreover, will we use a yardstick, a ruler or some shorter unit of measurement to gauge the recovery? Much of the answer should come from a broader discussion of what our industry would look like once recovered. After all, if you cannot accurately describe what recovery will look like, you will not be able to recognize if you are there or not.

Before we entered the economic downturn, manufacturers were enjoying in most cases as long as a five-year backlog on deliveries. Also within that order book, as much as 50% to 60% of the future orders were set to be delivered out of the United States. Furthermore, the units of production for all the manufacturers represented the highest amount ever produced.

One of the other major factors of the downturn was a robust and almost unbridled lending environment. It seemed like every

corner community bank as well as all the major ones wanted in on the game. First-time buyers were entering our market in historic numbers, driven in great part by the explosion of international growth, but certainly not limited to beyond our shores. Also, fractional providers, both in the US and start up operations abroad, were placing huge orders of aircraft just to attempt to keep up with demand. Charter use and overall fleet use were breaking records daily. If we were to use the metrics of that time in our industry to measure our current recovery, we would only need to use a small ruler.

The measurement of our progress in this recovery must include a reality check as to what size our industry will recover to, not what recovery we have against the past. It seems that every day I pick up a newspaper and read about a re-setting of the expectation of an industry in this new era. Some might call it a paradigm shift. Whether it is called a market re-setting, a paradigm shift or a change, the meaning is the same.

You cannot judge any industry today using the same unit of measurement that was used in pre-downturn times. If you did, regardless of the industry, you would be hard pressed to really begin to see progress. You must use a new set of industry metrics in order to see recovery.

Now let's review the past against the present: Manufacturers have reduced output considerably. So as manufacturers begin to sell new inventory for delivery, both today and in the future, they are building backlogs based on a much reduced production schedule. If you asked any of the manufacturers to

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describe what it feels like to even be selling from a greatly reduced current and future inventory level, they would say it feels wonderful.

If you look at the charter market having been down across the board some 50% to 70% from pre-downturn days, today being up 20% to 30% feels like recovery to them. Likewise, fuel sales that are driven by utilization were reporting a loss compared to pre-downturn days by as much as 30%. Today that utilization is back up 10% to 15%. Measured against the old days, maybe that's not very good, but measured today it spells recovery.

Aircraft sales were down, as measured by transactions, by as much as 75% from pre-downturn days. Now this is up by as much as 20% - and that feels awfully good to me!

So, which unit of measurement do we use to judge our recovery? I think if we are smart about recognizing the reality of the industry in a near term future, we can feel very good about pulling the yardstick out. We have come a long way. Of course we have to be very careful to sustain this. There are so many remaining obstacles to sustainability: A more stable global economy, a return to some semblance of lending, and a shared reality as to the size of our new industry once recovered.

It may never be the size that was once enjoyed prior to the economic downturn, as not many industries will return to the days of yesteryear. However, there will be plenty of new business for all of us. See you on the bright side.

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