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Ramp talk conveys bleaker picture than official line

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[Business Aviation](#)

Last month, when rapper Sean "P. Diddy" Combs released a video on YouTube saying he was swearing off his jet because of the high cost of fuel, many non-fliers saw his complaint as another bit of over-the-top silliness from a world full of self-indulgent vanity. After all, the average person contending with high automotive gas prices could hardly feel sympathy for a rapper who can't fly in a private jet.

"Gas prices are too [expletive deleted] high. I want to give a shout out to all my Saudi Arabian brothers and sisters, and all my brothers and sisters from all the countries that have oil," he said. "If you all could please send me some oil for my jet I would truly appreciate it, but right now, can you believe this, I'm actually flying commercial. That's how high gas prices are. I'm at the gate right now; this is really happening and I'm in coach."

Combs's plea was in keeping with his theatrical nature but its essence touched the core of the business jet industry. While there is consensus that the industry is suffering, and there are flight departments closing or otherwise feeling the pinch, there appears to be more speculation than fact.

Dan Hubbard, NBAA senior vice president of communications, said the organization has "no quantitative data to address the issue at this time."

Hubbard did say he had heard from fuel providers and charter companies that, because of the cost of fuel, purchase of jet-A is down anywhere from 10 to 20 percent and sales of avgas are down 30 to 40 percent.

"The FAA recently reported that activity at general aviation airports was down significantly and as an example mentioned that operations in Springfield, Ill., were down 30 percent," he said.

Researching the question by talking to flight department employees was a bit like cloak-and-dagger. Almost everyone began the conversation with, "You can't mention my name" and more often than not ended with unsubstantiated rumors about another company. One company that was mentioned frequently was Coca-Cola. A number of people—none of whom worked for the company—said it was either shutting down the flight department or drastically cutting back aviation personnel.

However, a Coca-Cola spokesman told **AIN**, "That is flat-out false. Coca-Cola is absolutely not shutting down its flight department. Like any corporation, we're always looking for ways to improve our operational efficiency, but there are no plans whatsoever to close down the department."

A number of people who spoke to **AIN** said that many Nascar drivers were giving up their aircraft, but those rumors, too, are blown out of proportion, said Tom Leahy, a contract pilot for Nascar flight departments out of Concord Regional Airport in North Carolina.

"I don't know what every operator is doing but I'm here on the airport with many of them and I'm not aware of any Nascar flight departments closing down for economic reasons," he said.

Corporations Cut Back on Flight Departments

Some flight departments have closed, the most notable being Bristol-Myers Squibb. The Trenton, N.J.-based operation is in the process of selling its two GVs and S-76Cs and terminated the employment of 32 pilots, mechanics and other department personnel.

"We've eliminated our corporate aviation group as part of our continuous improvement effort to reduce corporate overhead," Sonia Choi, director of business communication for the company, told **AIN**.

What makes the loss of Bristol-Myers Squibb most notable is that Palmer "Bud" Lathrop, a Bristol-Myers vice president at the time, helped launch the predecessor of NBAA by inviting other business aircraft operators to a meeting at the Wings Club in New York City on May 17, 1946. The closure represents the loss of a pillar of the business aviation community.

Another casualty of economic cutback was Mercury Marine. Parent company Brunswick made deep cuts into the flight department though fell short of closing it. According to Wade Morschauer, the company's chief of maintenance, three months ago Brunswick eliminated one of two Hawker 800XPs based in Waukegan, Ill., and laid off three pilots, all of whom had been with the company

for between 17 and 25 years. The pilots received three weeks' notice but they kept Morschauer on for an additional month to do some required maintenance on the aircraft before letting him go.

Michels Corp. bought the hangar for its King Air 350 and hired Morschauer as chief of maintenance. Brunswick now leases space from Michels for its remaining Hawker but closed its other two flight departments, including a Falcon 20 based in Knoxville and a Hawker 800XP in Fond du Lac, Wis. In all, 10 employees lost their jobs.

AIG (American International Group) has gotten a lot of press related to its taxpayer bailout; however, there has yet to be a trickle-down effect to the Teterboro, N.J.-based flight department. A source inside the company said the new government-appointed CEO, Edward Liddy, outlined plans for a "return to normalcy within 24 months" at a town hall meeting on September 18 for the company's employees.

"We don't know exactly what is going to happen as of yet; however, Liddy comes from Allstate and has a positive outlook about our future," he said. "We have two years to buy the company back from the government; we have significant assets and the loan has bought us breathing space. There is optimism amid concern."

Part of that optimism lies in the fact that Liddy came from a company that made use of corporate aircraft. Having been on the job at AIG for only a few days, he had already begun setting up appointments to use the company aircraft.

"It is quite clear that Liddy understands we're a global company and it's simply not realistic to run a company of this magnitude using the airlines," he said. AIG has a Global 5000, Global Express, Falcon 2000 EASy and a Falcon 900EX to be replaced with a 2000EX EASy in 2010 with deposit money already paid.

Pharmaceutical company Pfizer shuttered some of its flight department this year, ceasing operation of its corporate shuttle and internal company airline, which consisted of two EMB 135s.

Chuck Wortlieb, team leader of line services in Kalamazoo, said he and 26 employees lost their jobs though a few went into retirement. "We got the news last March, continued flying until the last day of June and then shut down the operation. I stayed on a little longer to finish up some maintenance, and the aircraft are now up for sale," he said.

In all fairness, they did give me a good severance package and a lot of advance notice to find another job, but my family has roots in the area so moving away would be a problem."

Like most other major companies, Pfizer did not return phone calls for comment. Wortlieb said he has not heard of any intentions to shut down the company's primary flight department. Located on Trenton Mercer County Airport in New Jersey, it has three S-76Cs and three GVs.

Flight-department Alternatives

Analysts David Strauss and Cristina Fernandez of UBS note that business jet activity, measured as takeoffs and landings, was down 11 percent globally in July, compared with the same month a year ago. They also reported that business jets manufactured by Dassault and Bombardier have seen 10-percent declines in flight activity through the first seven months of this year, with Hawker Beechcraft down 7 percent, Cessna 5 percent and Gulfstream 2 percent.

In a Market Wire Report last July, charter operator EJet Aviation Services reported the number of jets available for sale has increased significantly. In listings of "sold jets by category," prices have gone down, while the number of jets listed has gone up. It said that while there has been a significant decline in purchases of jet cards, fractional shares and jet club memberships, there has been a jump in traditional jet charters by previous customers of jet cards, fractional shares and jet membership clubs.

"The slowing economy has required that companies reflect on expenses, and many are looking to jet charter companies to offset the high cost of travel. They find they can get the same exact aircraft, without any compromise on safety, luxury, age or service, at prices sometimes 40 percent lower than fractional and jet card programs," the report concluded. Apparently the demand for travel remains, the question is at what price?

Bryan Comstock, **AIN** columnist and founding partner and managing director of Long Beach, Calif.-based aircraft brokerage JetEffect, reported that he's not heard of any major flight department closings.

"What I'm seeing are partnership airplanes being sold off, often with one partner buying out the other. Probably the hardest-hit groups are real estate developers and home builders, the one-aircraft owner/operators. They're getting out of

aircraft ownership for economic reasons.”

Comstock’s point appears to be on the money. Major corporate flight departments can bear the brunt of the effect on the economy, while smaller operators don’t have the economic depth to weather the storm.

Warren Childers of Charlotte, N.C., has been flying a King Air 350 for Carolina Tractor, the local area independent Caterpillar dealer. As of September 30 the two-man flight department turned into a one-man department and Childers was the odd man out.

“It wasn’t too hard to do the math,” he said. “You eliminate me and, all things considered, you cut your flight department budget by about \$100,000. They’re talking about using me as a contract pilot because they like having two pilots in the King Air, but it isn’t an FAA requirement, so how long is that going to last?”

The stark reality is that public corporations report to their stockholders, who demand profitability. But private business owners keep a sharp eye on expenses too. It is axiomatic throughout the industry that the first thing to go in hard times is the company aircraft, and it’s the last thing to return when things get better.

This begs the question, “At what cost, savings?” Shouldn’t some part of the cost-reduction equation consider the future health of the industry overall? Losing the investment in trained, experienced personnel will have far-reaching consequences.

At a time when new student starts in aviation technical fields continue to decline, just how cost-effective is it to lose the industry veterans?