

BUSINESS AVIATION*Panel leader:*

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Panelists:

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Allied Signal Engines

Maureen McMaster
Raytheon Aircraft Company

Ernie Killingsworth
Gulfstream Financial Services Corporation

Tri Pham
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General Aviation Manufacturers Association

Karl R. Zaeske
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Executive session participants:

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Roy Norris
Raytheon Aircraft Company

Roy Bergstrom
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John W. Olcott
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Kevin Russell
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John W. Lawson
Bombardier Business Aircraft Division

Edward W. Stimpson
General Aviation Manufacturers Association

In addition to the panel of aviation forecasters, the business aviation portion of the workshop included a specially invited group of prominent leaders in the business aviation industry. This group met in a half-day executive session to share their views on the future direction and well-being of business aviation. This approach provided mutual benefits for industry executives, the Federal Aviation Administration, and the forecast panel. The executives gained by participating in an extended and meaningful exchange with their peers. FAA benefitted by receiving a real-world perspective on the business aviation sector and a high-level review of its forecasts. The panel members obtained insights and a high-level view of trends upon which they could base their market projections.

Themes

In the executive session and the panel deliberations certain recurring themes relating to the future of business aviation emerged.

Trends

Timesharing, or fractional ownership of aircraft, has been drawing increasing interest. The industry will continue to grow, spreading to more parts of the world and covering all classes of business aircraft. While providing an adjunct to airframe manufacturers' business, timesharing was not seen as a program that would significantly boost new aircraft sales.

Teleconferencing was not seen as a threat to business travel. In fact, it may prove to be a benefit. By facilitating and expanding long-distance communication, this technology will not replace, but may actually increase, the need for face-to-face personal contact.

The availability of used aircraft will always have an effect on new aircraft sales. However, most participants tended to the view that people who buy used aircraft will always buy used aircraft. This, coupled with a shrinking fleet of good-quality used aircraft, will help negate the effect on new sales.

Advertising and promotion will come under increased scrutiny. The benefits of direct mail campaigns, third-world air show participation, and nontrade print media are no longer clear. Nothing takes the place of personal contact with customers and providing them with hands-on product experience.

Customers

Business aviation is still relatively young. It was moved rapidly away from the "cowboy entrepreneur" who would pay any price for what was once a new, scarce commodity. Today, customers have as much or more overall product knowledge as the manufacturers. They recognize value and will buy only products that provide the best price-value relationship and predictability of costs.

Manufacturing

To provide value, manufacturers must drive costs down. Factories must be further automated, new processes established, and new materials developed. Vendor relationships have evolved to a point where there is more risk sharing. In exchange for being made a sole

source, vendors must make significant concessions. They no longer provide bits and pieces of aircraft but complete subsystems.

Products

There is nothing expected in the near future that would cause explosive sales growth. Instead, engine, avionics, and airframe builders will employ new technology only when it provides the customer more value at a reduced cost. Still, incremental improvements will be made with each successive new product offering.

Government

Nothing now causes more concern than pending legislation that would levy various user fees on business aircraft operators. Any increase on development, manufacturing, or operating costs will have a negative effect on demand.

Conclusion

The business aviation industry, after a painful period in the early 1990s is poised for growth on the heels of a strengthening economy. Success especially awaits those companies that continually turn out new products offering more value.

As a group, the forecast panel and the industry executives who met in the special session were optimistic about the future of business aviation. Barring any surprises in the form of user fees, the industry will continue to flourish and play an integral role in the world economy.