

July 25, 2008

## FAA Reauthorization Stalled

### Washington Update – FAA Reauthorization

The sad news is that nothing is happening with this matter of such importance to our industry and America. Congress extended FAA's current authorization until September 30, 2008, which allows the agency to keep collecting taxes and fees to fund the Aviation Trust Fund and other purposes. There will, hopefully, be some real action in September.

### Guest Commentary:

### Used Corporate Jet Market: Where We Are – Where We Are Going

*GWBAA is pleased to present the following commentary by Bob Rockwood, a member of GWBAA's board of directors as well as the Managing Director of Bristol Associates, <http://www.bristolassociates.com>, (202) 682-4000.*

It's pretty easy to keep up with new airplane sales. Between GAMA and the individual manufacturers it is difficult to pick up any periodical related to corporate aircraft without reading about huge sales/billing/backlog increases.

The used corporate jet market is a bit more difficult to track. Other than individual brokers and the private subscription services, no other organization has taken the time to put out statistics until very recently. A few banks and investment houses are now putting out reports, but typically they are only available to investors.

So, let me take a few minutes to bring you up to speed on where the market has been; where it is; and where (I think) it is going.

The first thing to note is that you can no longer view the used aircraft market as a single entity. It has become quite segmented, with each segment behaving differently at various points in time. In olden

days you had small, medium, and large cabin and you had older and newer aircraft. Today we are looking at VLJ's, small cabin, medium cabin, mid-size cabin, super mid-size cabin, large cabin, and heavy aircraft. Before long we will probably have to consider personal jets and supersonic jets as well. And age has become measured in 5 year, not 25 or 30 year increments.

The message above is that you can't necessarily extrapolate information about your particular plane from generalized data. If you need specialized information there are plenty of good brokers out there willing to help.

What I want to look at and share with you is the general situation. Relying on data from a variety of resources such as Jetnet and JP Morgan, it is obvious that the used jet market has come off its high point from the end of 2007 and is trending down. Jetnet reports 1988 jet aircraft for sale today, a nearly 17% increase from what was

available at the end of 2007. Of significance is the fact that this represents an overall availability of more than 10% of the active fleet, and historically, once this number has been reached and exceeded, prices start coming down. Neither Jetnet or JP Morgan data bear an overall asking price reduction currently. However, observational data from price reduction announcements coming to me through various services would indicate price softening almost across the board. The exception would be for new aircraft positions or nearly new used planes, especially in the large cabin and heavy segments.

It is worth noting that the most recent JP Morgan data do not show the same overall availability as does Jetnet. In fact, they indicate 5.1% for heavy jets; 8.3% for mediums; and 8.8% for lights (excluding VLJ's). I can't really explain this variation with the Jetnet data other than to tell you the Jetnet's data is more current as it is updated daily instead of monthly as with JP Morgan. Moreover, since both sources are showing the same trend, I'm not certain the differences are critical to this discussion.

Where will this downward trend lead? The crystal ball is very fuzzy. History, as evidenced by the events of 1980–1984, 1991–1994, and 2000–2004 dictates that we will see a very significant across the board price correction. Certainly there are markets that have enjoyed 30% price increases from their last low point, so one has to accept that there could be 30% price reductions.

It is worth observing that many of the same issues facing the world's economy in 1980 are repeating themselves today, at least in some form. 1981–1984 saw huge downward valuations of existing corporate jets. Manufacturers' two and three year order backlogs disappeared in short order, and some were faced with white tails sitting on the ramp, unsold. There is an argument for history repeating.

On the other hand, emerging economies around the world are creating huge wealth and a demand for corporate jets outside the U.S. Will this be sufficient to sustain the market at something close to its current level? Recent evidence says yes, at least for new and near new equipment. But this is a new and unproven set of circumstances, so we will only truly know the answers after having lived through the experience.

In sum, no one can doubt or refute the coming weakness in the market. At the same time, no one can accurately judge its extent. My advice is, as always, don't try to buy or sell on market timing. If you need or want to sell today, recognize that you will have to be aggressive and that delaying a decision will very likely cost you money. On the other hand, if you are a buyer, buy based on what you need, not whether you think the market timing is attractive. Unless you plan to be a dealer buying and selling on the short term, trying to buy, hold, and beat the market is ultimately a losing proposition. After all, we are dealing with what is fundamentally a depreciating asset.

## **FAA Safety Team News**

The FAA Safety Team publishes a monthly newsletter that may be of interest to GWBAA members. The most recent issue discusses a fatigue management symposium held by FAA in June, the recent emergency AD for the Eclipse 500, and other issues. For the newsletter, please visit <https://www.faasafety.gov/files/notices/2008/Jul/AVNewsUpdateJuly2008.pdf>, and for more information about the FAA Safety Team generally, please visit <http://www.faasafety.gov>.

## Regional News Roundup

**Salisbury-Ocean City: Wicomico Regional Airport** recently struck a \$1,037,000 balanced budget for fiscal year 2009, a spending package Airport Manager Robert Bryant said includes an estimated \$1 million in additional revenues from increases in parking and hangar fees. T-hangar rates jump 5 percent starting July 1, to \$160 a month from \$152 a month, Bryant told The Daily Times



**Manassas Regional Airport** has announced that taxiway Alpha lights and directional signs will not be working until early August. A NOTAM has been published regarding the outage. The airport indicates that the "Holdshort" signs for the taxiway are still operational.



**Frederick Municipal Airport's** dependence on city money is expected to grow in fiscal 2009. The city will supplement the airport's more than \$1 million operating budget with \$100,000 of taxpayer funds. A \$96 million development plan is designed to turn the airport into a self-supporting destination for private aircraft, but Airport Manager Charlie Abell told the Frederick News Post that revenue from improvements likely won't be realized for years. The project would build more hangars, a control tower, and extend the runway.

**Richmond International Airport** is cutting grooves in its main runway, part of the final phase of a \$4.2 million runway rehabilitation project that started in 2005. The project, which includes new lights, paint, and drainage, will make the runway safer for pilots.

The Culpeper Board of Supervisors is continuing to debate plans to build a new terminal at **Culpeper Regional Airport**, and specifically whether to allocate \$112,000 for planning and design work. Plans to build a new terminal to replace the current 39-year-old building stalled earlier this year after the county realized, then overcame, a budget shortfall of about \$4 million.



In other Culpeper news, a \$55,000 pavement rehabilitation program is scheduled to start in August, which will extend the life of 25-year-old sections of asphalt near the older T-hangars. In addition, the airport will hold its annual AirFest this year, thanks to \$16,000 in donations from private companies and individuals. Earlier this year, county officials feared they might be forced to cancel the show because of a county budget shortfall and financial pressures wrought by difficult economic conditions.

The Warren County Airport Commission Board of Supervisors is considering a proposal to add two more members to its five-member airport commission, which oversees the **Front Royal-Warren County Airport**. Supervisor Glenn White, who is also a member of the commission, told the Northern Virginia Daily that the commission is dealing with technical issues related to

plans for operations and a planned expansion at the airport, and “just as two heads are better than one, seven heads are better than five.”



Arcadia Aviation has completed the first of a series of new corporate aircraft hangars at the **Eastern West Virginia Regional Airport** in Martinsburg, intended to serve the Washington market. Arcadia also has announced that it has expanded its maintenance capabilities by adding the Israeli Aircraft Industries Westwind 1124 and 1124A series aircraft to its FAA Part 145 Repair Station License.

On June 28, a disaster drill was held at **Manassas Regional Airport**, simulating an aircraft fire. “I’ve been here eight years, and we’ve never had this drill,” Juan Rivera, Airport Director, told the Potomac News. The drill involved airport and city officials; PHI Air Care, a helicopter medical transport; the American Red Cross; Prince William Hospital; fire and rescue teams and volunteers to play the role of the victims.

At a meeting of the **Gordonsville Municipal Airport** Preservation Society, Virginia Department of Aviation Director Randall P. Burdette gave a presentation about general aviation and specific plans for the airport, including plans for repaving and widening the runway and removing runway obstructions

The Loudoun County Planning Commission has recommended that the county “up zone” the Crosstrail property near **Leesburg Executive Airport** so as to permit industrial and office development, but prevent residential development. Previously, the County board denied a rezoning application for a mixed-use office, retail and residential project. That denial is under challenge in Circuit Court, which is expected to go to trial in October.



Stafford County's Economic Development Authority (“EDA”) has recommend, 6-1, that the county lower its personal property tax on aircraft in order to attract more business. Stafford's personal property tax on aircraft is \$3 per \$100 of assessed value. Aircraft kept at the airports in Manassas and Leesburg pay a 1-cent rate, according to a report by **Stafford Regional Airport** Manager Ed Wallis. The airport has three businesses interested in developing corporate hangars totaling 130,000 square feet if the tax rate is reduced, Stafford Regional Airport Authority Chairman Walt George told the EDA. The County Supervisors could vote on the issue in the next couple of months.

## **NBAA Employment Opportunity**

The National Business Aviation Association has announced an opportunity for an enthusiastic, organized, customer service-oriented Coordinator to provide operational and administrative support for four conventions, including static display management for NBAA at its annual meeting and convention, two international business aviation conventions, and the light business

airplane conference and exhibition, as well as several regional forums. If interested, please e-mail your resume and cover letter including salary requirements to: [hr@nbaa.org](mailto:hr@nbaa.org); in the subject line, indicate "Coordinator". Alternatively, resumes may be mailed to: NBAA, Attn: Human Resources, 1200 18th Street, N.W., Suite 400, Washington, DC 20036. For more information, please visit <http://www.nbaa.org/jobs>.

## Upcoming Aviation Events

- **July 29:** International Aviation Club luncheon featuring Michael E. Levine on "Re-Regulation and Other Challenges Facing the Airline Industry" at the Marriott Metro Center. For more information, please visit <http://www.iacwashington.org>.
- **August 6:** Committee for Dulles luncheon featuring Mary Peters, Secretary of Transportation, and Congressman Frank Wolf at the Dulles Airport Marriott. For more information, please visit [http://www.committeefordulles.org/current\\_lunch.html](http://www.committeefordulles.org/current_lunch.html).
- **September 6:** 17th Annual Louisa County Air Show. For more information, call (540) 967-0050 or email [dawnp@firstva.com](mailto:dawnp@firstva.com).
- **September 10-12:** Maryland Airport Managers Association's Maryland Regional Aviation Conference at the Holiday Inn Hotel & Conference Center in Frederick, Maryland. For more information, please visit <http://www.marylandairportmanagers.org/conference.html>.
- **September 25:** Aero Club of Washington luncheon featuring Stephen N. Finger, President, Pratt & Whitney. For more information, please visit <http://www.aeroclub.org/luncheons.htm>.
- **October 6-8:** NBAA's 61st annual meeting and convention in Orlando, Florida. For more information, please visit <http://web.nbaa.org/public/cs/amc/2008>.
- **October 11:** 9th Annual Airfest at Culpeper Regional Airport. For more information, please call (540) 825-8280 or email [twoodward@culpepercounty.gov](mailto:twoodward@culpepercounty.gov).
- **October 16-18:** National Conference on Aviation and Space Education at the Crystal Gateway Marriott Hotel in Arlington, Virginia. For more information, please visit <http://www.ncase.info>.
- **October 20:** Please hold the date for GWBA's fourth annual golf tournament at Herndon (VA) Centennial golf course ("our place"); details will appear in a future newsletter.
- **November 2:** Air Traffic Control Association 53rd annual conference at the Marriott Wardman Park Washington, DC. For more information, please visit [http://www.atca.org/activities/event\\_items.asp?month=11&year=2008&item\\_id=1088](http://www.atca.org/activities/event_items.asp?month=11&year=2008&item_id=1088).
- **December 1-3:** FAA 5th annual international aviation safety forum at the Omni Shoreham Hotel in Washington, DC. For more information, visit [http://www.faa.gov/news/conferences\\_events/2008safetyforum/](http://www.faa.gov/news/conferences_events/2008safetyforum/).

- **December 4:** Airports Council International-North America International Aviation Issues Seminar at the Westin Embassy Row. For more information, please visit <http://www.aci-na.org/conferences/detail?eventId=118>.

## GWBAA Offers Online Benefits

We continue to add member information for GWBAA's electronic membership directory – <http://www.gwbaa.com/directory.html>. This service is available to GWBAA members at no cost. Please contact Bob Blouin ([bob\\_blouin@hawkerbeechcraft.com](mailto:bob_blouin@hawkerbeechcraft.com)) if you want to post your company's information.

## GWBAA Contacts

GWBAA President Bob Blouin ([bob\\_blouin@hawkerbeechcraft.com](mailto:bob_blouin@hawkerbeechcraft.com)) and GWBAA Secretary Jol Silversmith of Zuckert, Scoutt & Rasenberger, LLP ([jasilversmith@zsrlaw.com](mailto:jasilversmith@zsrlaw.com)) write and edit GWBAA News. GWBAA's success and ability to make a difference depends on the breadth of its support and your participation – so please send any ideas or comments for future newsletters, or for GWBAA, in general, to Bob or Jol, or any of the following people:

Mary Miller, Treasurer: [mary.miller@signatureflight.com](mailto:mary.miller@signatureflight.com)

Bob Rockwood, Membership Chair: [racersblue@earthlink.net](mailto:racersblue@earthlink.net)

Jim Lumley, Operations, Safety and Security Chair: [jpilot3@aol.com](mailto:jpilot3@aol.com)

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