Date : 08 September 2020
Media : Forbes

Two Views On The Private Jet Recovery

In the United States, private aviation flights have now climbed back to a bit more than 80% of where they were during the summer of 2019, according to Argus. In Europe, August flying was actually 3% ahead of last year's numbers WingX data shows. Pent-up demand, they say.

That's amazingly good news, at least when compared to the rest of the travel industry. The American Hotel & Lodging Associate reports urban hotels in the U.S. are operating at 38% occupancy. In Europe, hotel occupancy was 26.5% in July, according to STR data.

In August, the number of travelers passing through TSA checkpoints was less than 30% of 2019 totals. Cruise ships, well, virtually the entire worldwide fleet is empty save skeleton crews waiting to again welcome aboard consumers at some point in the future.

The U.S. travel industry is losing $3 billion in revenues per week from international visitors alone, according to the World Travel & Tourism Council. The industry advocacy group last week warned of a worst case scenario where 12.1 million out 16.8 million jobs could be lost here.

Put against all the glum news, one might think executives in private aviation would be optimistic. And in fact, many are.

During virtual Town Hall meeting held by Corporate Jet Investor about 10 days ago, 45% of attendees responding to a poll said they expect to finish 2020 in a stronger position, compared to just 16% who predict a decline; 92% are very/fairly optimistic about 2021.

That doesn't mean there aren't serious concerns about whether or not the industry's recovery is being built on solid ground or something less sturdy.

At the same forum a week earlier, David Edwards, CEO of the Air Charter Association, a trade group for brokers, operators and related businesses, warned listeners to stop talking up their numbers.

He and others are concerned that stories in the broad media quoting brokers touting triple digit increases in call volume will handicap the industry if it needs more government support.

Those who warn caution have a point. Being down 20% on last year's flight activity is one thing. However, it is thought charter pricing, which fluctuates by day and route, is also down. That would imply despite the good news, the bottom line for private aviation companies is still under intense pressure.

And while Business Aviation supports over 1.2 million jobs in the U.S. alone, even the first round of government assistance attracted controversy.

Reporters were less intrigued by the jobs being saved and naturally more interested in the industry's wealthy customers as well as ties between donors to Donald Trump and the companies receiving the money.

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NetJets, a unit of Berkshire Hathaway and the largest private jet operator in the world, didn't apply for any assistance. It took the opportunity to separate itself from those that did.

In a letter to customers, one of its senior executives wrote in part, "We have observed others in our industry badly bruised by the pandemic as the recipients of CARES Act monies have become public. The names on the list and amounts received have been eye opening."

And speaking of the recipients, company executives who wanted to talk about it on or off the record were virtually nowhere to been found. An exception was Kenn Ricci, principal at Directional Aviation.

The company's holdings include Flexjet, SentientJet, Constant Aviation, Nextant Aerospace among others.

Back in May, he said, "We will continue playing a leading role in private aviation, supporting thousands of jobs not only at our family of companies but also at the vendors, manufacturers, airports and other partners who depend on the economic activity generated by our flights," adding, "I applaud that more than 200 of our peer companies also have received funding commensurate with their size and ability to affect the aviation market."

He noted, "This is not about propping up a service for the wealthy, as some have inaccurately portrayed it. It's about preserving the jobs of thousands and ensuring that an industry that touches Americans across all income levels and geographies continues to thrive in a post-pandemic world."

Still, those warning the industry against getting too giddy have a case. The current volume is being achieved on the back of new to market customers seeking to avoid COVID-19 exposure or unable to find airline schedules that fit their needs.

A report from McKinsey claims only about 10% of U.S. households with the means to fly privately were doing so before the pandemic. While previously they didn't see the value in the cost of flying by private jet, health concerns changed those views.

However, the trips are mainly leisure travel, moving between homes. What will happen this fall? How much of the industry's bread and butter business travel will return? It's not called Business Aviation without reason. If your customers' offices are closed, it's less likely you will be flying to see them.

European charter broker **LunaJets** says business travel represents 70% of September to Christmas traffic.

There's also a view that while many typical business flights won't take place, they will be in part replaced by some companies allowing a wider swath of executives access to private jets.

"What we're seeing is some business travel is coming to the private jet industry that would normally have been in the commercial world because there is confidence in flying with us," Megan Wolf, COO of Flexjet told Bloomberg Markets TV last week.

NetJets, for its part, said May was its best month for new customer acquisition since 2008. Unlike the financial crisis back then, markets have largely bounced back and many companies are doing quite well.

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Alisdair Whyte, the editor of Corporate Jet Investor, noted in a column last week which he titled, “Know Comment,” through late August, U.S. bankruptcies are at their highest level since 2010. At the same time, he pointed to Jetnet data showing just 10.7% of the private jet fleet is for sale. That compares to 18% in 2009.

Broadly speaking, record numbers are still jobless due to the COVID-19 crisis, food insecurity grows and workers laid off in one industry look for opportunities while relying on government support.

You might ask what’s the problem with supporting somebody who pays their rent by fixing airplanes that carry eight passengers instead of 180? The answer is, of course, both are are equally worthy of being helped. In the rarefied space of private aviation, it’s a message that often gets lost.

Last week in Delaware, the judge overseeing JetSuite’s bankruptcy approved its reorganization plan. The company wasn’t eligible for government support as it was struggling before COVID-19. When it grounded its fleet in April, over 100 jobs were lost. There is no date for it restart operations, and its current fleet is limited to just three Phenom 100 very light jets, each seating only four passengers.

By the same token, the industry has probably enjoyed more positive media coverage as editors have looked to better understand its importance in moving people around when the airlines cannot as well as first responders.

Yet the question remains. Will the influx of new customers, mostly leisure travel and a depressed amount of business flights be enough of a tailwind to help the industry fly out of the COVID-19 storm without more failures or the need for government assistance?

Forbes - Doug Gollan, Sept 8, 2020
https://www.forbes.com/sites/douggollan/2020/09/08/two-views-on-the-private-jet-recovery/#47c503f37050