

'A Little Bit In Limbo': What Does The Pandemic Mean For Bizav?

Molly McMillin March 20, 2020



EBACE static display
Credit: EBACE Management

In the wake of the novel coronavirus pandemic, business aviation experts are revising 2020 delivery and sales forecasts along with business expectations in an ever-evolving situation.

“I think we’re all a little bit in limbo,” one business aviation broker says.

On March 18, Textron Aviation announced rolling four-week furloughs through May 31 in its Kansas factories to combat the COVID-19 illness and to adjust production to align with anticipated market demand.

Gulfstream Aerospace, Bombardier and Embraer have not taken similar employee actions to date. All say they are restricting travel, moving some employees to work remotely, instituting social distancing and increasing cleaning and disinfection measures as they monitor these unprecedented times.

Earlier this year, Rolland Vincent, a consultant and president of Rolland Vincent Associations, forecasted a 5% increase in business jet deliveries in 2020 followed by a natural cyclical downturn over the following three years. He is in the midst of adjusting that forecast.

“I’m quite certain that’s not the case anymore,” Vincent said. “People can’t even get to their airplanes to take delivery of them. There is no sense of when (the pandemic) is going to end and when it even peaks. It looks like the U.S. is moving into a very strange time here.”

Oil prices are down, which will lower demand from oil and energy companies.

It is not “doomsday,” Vincent added, “but we see this as a very sharp downturn for this year.”

In 2019, business jet manufacturers did well and book-to-bill, the number of orders taken compared to deliveries, was good, Vincent noted, although December was not as strong as expected.

Still, the 10 years following the 2008 downturn have been steady ones for a cyclical industry.

On a positive note, there are many differences between now and when the U.S. headed into the past recession, said Brian Foley, an aviation consultant with Brian Foley Associates. North America is starting out in a better place with a stronger economy, so the market impact should be more muted.

There are other positive differences, including fewer players in the market with the sale of Beechcraft, a stronger overall financial system with higher reserve requirements for banks, firmer order backlogs and low interest rates.

In the past recession, business jet shipments were cut in half, Foley said.

“We’ll definitely take a dent, but not to the severity of the last one,” he said.

In 2019, manufacturers delivered 809 business jets, according to the General Aviation Manufacturers Association (GAMA). In a worst-case scenario, Foley estimates deliveries to fall into the 500s over the next couple of years. The market could also bounce back faster or not get hit as hard, and deliveries could drop into the 600s, he said.

Now is the time to fly privately, Vincent noted.

“You’ve got the security, safety and cleanliness of your own cabin,” he said, and fuel prices have dropped.

Charter and fractional providers may see a positive bump in business as customers use alternative transportation. On the other hand, fixed-base operators may sell a little less fuel going forward and some aircraft operators may delay maintenance, Foley predicts.

Maintenance technicians or supplier representatives may also have more difficulty traveling to customers, Vincent said.

Janine Iannarelli, an aircraft broker and founder and president of Par Avion, expects used sales to suffer, especially internationally.

“That’s sad to say because I do a lot of business in Europe and around the world,” Iannarelli said.

Weeks ago, she began warning European clients that the coronavirus could have a potential disastrous effect on getting their aircraft sold. She suggested they move the aircraft to the U.S., the world’s largest market.

One did. Others waited. They recently began asking her questions about moving their aircraft.

“Now, I’m trying to help them solve that,” Iannarelli said. She is working on logistical and feasibility issues. She is researching whether crews must be quarantined upon arrival.

If U.S. buyers can’t see the aircraft and sellers can’t fly them here because of restrictions, buyers will look elsewhere, Iannarelli said.

At the same time, some potential buyers will wait to buy, suspecting they will find better deals if they do. Others will want to keep a cash position and take a wait-and-see attitude.

Still, “there are ... companies that have needs to be met and there are still individuals who have desires to be met,” Iannarelli said.

In the meantime, “we’ll gather and circle and fire,” Vincent said. “We’ll ride it through.”

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