DRIVING DEMAND FOR FUTURE SALES: AIRCRAFT RETIREMENTS

In this month’s JETNET >>KNOW MORE analysis, Mike Chase and Marj Rose review the retired business jet fleet.

Discussion of aircraft retirements may not be as exciting to debate as the merits of a star athlete’s last game, but a review of retirement data can offer insight into how the business aircraft fleet ages, how it compares to commercial aircraft, and ultimately how retirements drive the demand for future business aircraft sales. For the purposes of this article, “retired” refers to aircraft that are no longer in use and have been written off, parted out, put on display, used for training, or other reasons that prevent them from flying.

First, let’s take a look at the total fleet of aircraft flying today and the percentage, by type, that is retired. Of particular interest in Table A is the fact that “Jet Airliners” show more than two times the percentage of “fleet retirement” (21.8%) than “Business Jets” (10%).

Fleet Retirements in 2015

Table B, meanwhile, provides a snapshot of retirements in 2015. There were more than 1,000 aircraft and helicopters retired last year, and a high percentage of those were also Jet Airliners (654 retirements). Business Jet and Turbine Helicopter retirements were almost equal (120 versus 124, respectively). Business Turboprops and Commercial Turboprops were level with 75 retirements each.

The most obvious reason for this substantial difference is the fact that Jet Airliners fly considerably more hours than most Business Jets, so it follows that they would reach an end-of-life threshold (in airframe hours) before Business Jets. Across all segments, the most retirements (39%) occurred between 21-30 years of age.


In Table C we examine the 12 years before, during, and after the recession that began in 2008. Note that the post-recession average retirement of Business Jets is not far from the recession average (153 vs. 162, respectively). This response is a pronounced change of behavior by business jet operators reacting to an obvious fleet oversupply in the market.
SHAPING THE MARKET: SALE PRICES PROVIDE GREATER INSIGHT

We have officially announced an innovative new platform that we believe will improve the ability of aircraft professionals to effectively price and compare aircraft in the resale market. JETNET Values gives subscribers greater insight into aircraft values by providing reported sold prices, as well as tools to better synthesize and analyse pricing information.

“Our primary mission at JETNET has always been providing our clients with the tools they need to prosper in the aircraft—and now luxury marine—market, as well as contributing to the health of the markets themselves,” said Tony Esposito, Vice President of JETNET LLC. “So, after careful planning and input from clients and industry experts, we have launched our groundbreaking new service: JETNET Values. We hope it has a positive impact on the way our clients do business.”

Our research team has already gathered reported sale prices from more than 150 different sources, while carefully protecting the confidentiality of each source. Through our relationships with aviation professionals, we believe we are uniquely positioned to provide this service to the industry.

Subscribers to JETNET Values will have access to:

- Reported sale and asking prices by serial number
- Sale price summaries to enhance market sales trends intelligence
- Tools for editing, storing, and summarizing data within Marketplace Manager

Tony Esposito added, “We hope this new service helps spur more openness in the market, and most of all, contributes to the enrichment of industry professionals.”

JETNET Values will be available for demonstration at this year’s NBAA, and by request. Call us to schedule yours!

DRIVING DEMAND FOR FUTURE SALES CONT.

Wholly-Owned Business Jet Fleet (by Age & Region)

Table E offers a look at the wholly-owned Business Jet fleet in operation, by continent, to reveal where the majority of the aging fleet is based. Asia (59%) and Europe (53%) have the highest proportions of Business Jets aged 1 to 10 years in their fleets.

Several years ago, many countries, especially within emerging markets, began proactively instituting limitations and regulations that prevented the importation of older, noisier Business Jets into their countries. Many of these countries now boast a larger percentage of younger jets (1-10 years old) than the 32% in North America’s fleet.

Summary

Business Jets continue to have the lowest percentage of retired aircraft among all aircraft types. Since the useful age of an aircraft has always revolved around flight hours, the low retirement range could indicate low utilization as the driving factor.

Nevertheless, it could be argued that Business Jet owners should be driven to replace their older aircraft with the latest technology, recognizing the greater benefits of newer models. We will continue to monitor the fleet retirement trends in future articles.

UPGRADE: EVOLUTION FLIGHT DATA IMPROVEMENTS

A significant upgrade in our aircraft flight activity data includes integration of near-real-time flight activity recording from the Traffic Flow Management System (TFMS) of the FAA. This upgrade provides subscribers with more up-to-date flight activity, as well as more accurate airframe times on nearly all aircraft. These new features will improve the experience for Fix Based Operators (FBOs), dealers, and service-related professionals.
JETNET IQ SUMMIT: SEEING THE FUTURE

WHAT WE LEARNED FROM INDUSTRY LEADERS

By Rollie Vincent

This year’s JETNET iQ Summit, “Igniting Ideas. Provoking Change. Exploring Values in Business Aviation.”, was a tremendous success. A record 120 professionals attended the event last month on the 42nd floor of the Le Parker Meridien Hotel in New York City. The spectacular view of Manhattan and Central Park presaged the Summit’s long view of the industry, as the eagles of aviation shared their insights into our future.

Speakers and panelists included leading business aviation professionals from major OEMs and advocacy organizations, including Marco Túlio Pellegrini, President and CEO, Embraer Executive Jets; Jean Rosanvallon, President and CEO, Dassault Falcon Jet Corporation; Mark Burns, President, Gulfstream Aerospace Corporation; David Coleal, President, Bombardier Business Aircraft; David Rosenberg, VP Strategic Planning & Integration, Textron Aviation; Pete Bunce, President & CEO, General Aviation Manufacturers Association; and Ed Bolen, President and CEO, National Business Aviation Association (NBAA). It was a rare and amazing experience to have the presidents of Embraer, Dassault, Gulfstream, and Bombardier together in one room.

Paul Cardarelli, JETNET Vice President of Sales, and Rolland Vincent, Creator/Director of JETNET iQ, presented the 2016 JETNET iQ State Of The Market Insights And Forecast on the challenges facing business aviation today—a marketplace in over-supply, and unprecedented erosion of aircraft values—themes that infused discussions throughout the day.

Pete Bunce and Ed Bolen spoke of their efforts on Capital Hill. Doug Harrison, President of the YouGov consultancy, presented Insights Into The Uber Wealthy on their changing demographics and perceptions. Five panel sessions composed of business aviation OEM leaders, attorneys, brokers, financiers, appraisers, and Wall Street analysts, shared their perspectives on aviation’s challenges and solutions.

Thanks to all who attended and made this an especially important Summit for our industry. We look forward to providing JETNET iQ subscribers with more insights in the year ahead.

YACHTSPOT AT 2016 FLIBS

We will be making our second consecutive appearance at the Ft. Lauderdale International Boat Show (FLIBS) in November to discuss newly integrated features found in our innovative intelligence service, YachtSpot. From significant upgrades, to the crossover features, to a brand new central agent View, we continue to develop new ways to keep our clients informed and current on the luxury marine market.