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Corporate Aviation Industry Follows Slow Crawl Of Economic Recovery

John Tary is general manager for Toyota AirFlite, located on the westside of the Long Beach Airport. He said the business has experienced a three to four percent increase year to date, but has not recovered to pre-recession levels because of decreased demand due to fewer discretionary dollars and less traffic at the airport. (Long Beach Business Journal photograph by Carlos Delgado)

■ By Tiffany Rider
Staff Writer

Following the slow crawl of the economy, corporate aviation tenants at Long Beach Airport (LGB) are seeing small signs of recovery despite high fuel costs, advertising challenges and high hangar vacancy.

Curt Castagna, president and CEO of the aviation property management company Aeroplex/Aerolease Group, said that though the economy is showing signs of improvement, the industry here hasn't seen the impacts that other states are seeing. "California is said to be the last to enter it and the last to get out of it," he noted. "So economically I think businesses in here in Long Beach are challenged. We're trying to find our way, and I do think there's growth. There's going to be a recovery, except that recovery is going to be very slow."

At LGB, hangar space is definitely available, Castagna said. "It's very competitive. We compete with each other. We're working together with the city to maximize the airport."

Where the city could be more helpful to airport tenants during this difficult time, Castagna noted, is in promoting the city as a destination, then the airport and then individual operations. "We believe strongly in the value of the Long Beach Airport and we're hopeful that our city leadership will continue to see the benefits of business in general aviation to the community and to the regions, and hope we can together work on ways that would further the economic development opportunities for both the airport businesses and the city at large," he said.

Aeroplex has a signature partnership with the largest fixed base operation (FBO) in the world, Signature Flight Support, which has a location in Long Beach and is in Aeroplex facilities. "Signature Flight Support's primary business is service," said Eric Hill, general manager of the local Signature Flight. "So in Long Beach it makes for a good relationship in a sense since Aeroplex puts up the buildings, we come in and provide the service and take care of the aircraft on the arrival side."

According to Hill, Signature Flight, which has more than 100 locations around the world, has seen its business across the country pick up, generally, with the exception of Long Beach.

"Things are somewhat stagnant," he said. "We have a long road to recovery." Hill, who has been with the FBO for six years, said the company has done cost reductions but remains with 43 employees in Long Beach. Of course, fuel prices are also a factor for all FBOs, he said, and "the higher it goes, the worse it gets."

The difficulty is that Long Beach is more industrial in nature, Hill said, and not so much a destination as, for example, the Santa Barbara Airport. "A lot of the comments we'll get from customers and pilots in the outlying areas is that they don't even recognize that Long Beach is here," he noted. "So that's one of the active things we've been trying to do in combination with the other businesses on the airport and in combination with the airport. The airport has been supportive of that."

John Tary, general manager for Toyota AirFlite, said that advertising at the airport would be helpful. "We have all tried to come together on this," he concurred. Currently, AirFlite utilizes industry trade focused advertising to people who own and operate aircraft out of the area through trade publications, direct mail and at trade shows.

According to Tary, business is unfortunately hit or miss right now at AirFlite, Toyota's air headquarters located in Long Beach for 20 years. "In general, we have seen a three to four percent overall increase year to date, which is not bad, but [we're still] 45 percent down from years past," he said. "General traffic at the airport is down." The FBO has a large supply as demand has fallen quite a bit, Tary says. "Some is discretionary, some isn't."

AirFlite's 129,450 square feet of community hangar space is at a 15 percent vacancy rate, when in good economic times the company had wait lists, according to Tary, and tie-down spaces are about 30 to 40 percent vacant. Even with vacancies and difficult financial times, Tary said the company is still all about safety and service. "We have never skimped on any of those functions in any way," he noted. "Everything else we have would be in discretionary things, but our equipment and our service is still 100 percent."

JetFlite International, which offers a full range of services in private corporate aviation, has its FBO division in Long Beach where business has been following the economy. "So goes the economy, so goes our business," said Kerry Gerot, president FBO division. "Even at the high net worth individual levels. When the news is better, things tick up."

JetFlite charter trips are doing reasonably well, though "no matter what, everyone complains about fuel prices." Weathering the economic turbulence over the past three years has encouraged stronger service levels while dealing with prices – basically managing what can be controlled. As far as advertising help from LGB, Gerot noted possibilities with the new garage and terminal being built. "The plan is for airport management to continue to look at that," she said.

Business jet manufacturer Gulfstream has had particularly good operating performance, according to a first quarter earnings transcript from parent company General Dynamics' Chairman and CEO Jay Johnson. Gulfstream's Long Beach facility completes the final assembly of its G550 large-cabin corporate aircraft and operates a service center at LGB.

According to the transcript, "First quarter revenues were up nearly 7 percent over the fourth quarter of last year due to additional Gulfstream new aircraft volume and growing global demand for aircraft services." Flight hours are approaching 2008 levels, according to the interview, which took a dive in 2009 and forced the company to reduce its workforce by 1,400 in 2009. Today, Gulfstream has a strong list of orders from the Asia Pacific region, including an order from China for five aircraft.

Gulfstream first quarter revenues were at last year's $1.4 billion as a result of higher demand in aircraft service paired with the lack of pre-owned aircraft sales and fewer completions work through Jet Aviation.

The transcript reads, "We continue to see improved conditions in the business aviation market, including healthy new order interest, declining pre-owned inventory levels and robust aftermarket demand spurred by further improvements in aircraft utilization." ■