

# Long Beach

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### General Aviation Hit Hard By Declining Sales, Client Base

Academies Report Expanding National, International Job Pool



Tom Jacobson, president of Tom's Aircraft, sold off the new aircraft sales portion of his business last year but continues to purchase pre-owned airplanes to repair and resell. Jacobson said business has been doing well so far this year, with maintenance and parts sales picking up. (Long Beach Business Journal photograph by Carlos Delgado)

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In an industry driven by disposable income, general aviation companies continue to battle higher inventories, a shrinking client base, financing difficulties and high fuel prices through the economic recovery.

Several owners and operators of general aviation businesses at the Long Beach Airport (LGB) say 2008 and 2009 were tough, but there are some indications that things are slowly picking up.

Kevin McAchren, president of Airserv, said his service business has been declining since the end of 2008. "It's been on a downward spiral since then. There are just some indications now that it's picking up a little bit." Airserv deals primarily with servicing charter flights and commercial

aviation as well as some corporate and military planes by providing offloading equipment such as stairs, ground power, tugs for pushing back aircraft, carts to service drinking water and lavatories, interior cleaning and other ground support.

Airserv's client base is shrinking, McAchren said, due to the decline of discretionary charters, incentive travel for businesses, airlines going out of business and other factors affected by the economic meltdown. "We rise and fall with the economy," he said. Fuel prices have also impacted business, McAchren said. He remembers the fuel crisis of 1973, but said the high cost of fuel today paired with the economic recession has hit business hard.

Fuel prices and lack of discretionary dollars has also impacted new plane sales, according to Rich Manor, president of

Pacific Air Center, a sales affiliate for Cessna located at LGB. Manor, who previously worked with Tom Jacobsen, president of Tom's Aircraft, branched off the sales side of the business a year ago and started Cessna sales through Pacific Air Center in May 2010. He told the Business Journal times are tough.

"The new aircraft sales, over the past 10 years, have really been driving the business and it's pretty much dropped to nothing," Manor said. "So it's been tough. We've been selling used airplanes and doing OK with that, but the new aircraft sales has really dropped dramatically. Sales were good through 2007. Early 2008 was when it was really falling down. It just kept diminishing all the way through last year and it's kind of stagnated now at the bottom." Manor noted the focus of the entire



Andrew Bechtol, a mechanic's assistant at Tom's Aircraft, works on interior repairs of a Cessna airplane. (Long Beach Business Journal photograph by Carlos Delgado)

business now is selling pre-owned airplanes because it's "all we can really do."

Financing for airplanes has also made selling new aircraft difficult, on the consumer side as well as wholesale financing for Pacific Air Center to extend its credit line to buy airplanes for resale. "The financial markets took a pretty big hit, and the ability to finance airplanes has really dried up," Manor said. Though Cessna used to finance a lot of aircraft, he said the company is getting out of that business, but Pacific Air Center can and does help people find resources for financing airplanes when applicable.

Through his business, Jacobsen continues to buy some used aircraft to fix up and resell but mostly focuses on maintenance services and part sales. "It's getting better," he said. "Last year was difficult, and so was the end of 2009. But we've done pretty well this year. We've sold quite a few aircraft. We're selling parts again. The shop is busy. We've actually started working a little overtime again. We're making money again."

Tom's Aircraft has about 28 years left on its lease with the airport. Though the airport finalized new lease terms with tenants after a reassessment of properties a couple years ago, Jacobsen said his company would benefit from another 10 years on its lease. Because banks like to see 40-year leases with companies applying for a loan, Jacobsen said the lease extension would allow him to expand his business by adding about 6,000 feet onto one of his hangars. "I think it would be a big boost in Parcel J [south side of airport] to get that done," he said. "It would make our buildings worth more money."

When the economy slowed, Tom's Aircraft cut employee workdays from a nine-hour to an eight-hour workday, eliminating regular overtime to only when nec-

essary, as well as keeping in-house inventories lean and keeping a closer eye on open accounts before they get too far out on payments. "We've put a lot of caps on people with credit limits to not get in trouble because there are a lot of people in general aviation still struggling and we sell to a lot of little businesses," Jacobsen said. "So we keep our finger on the pulse to try to make sure we don't get in trouble when somebody else gets in trouble."

John Moore, partner at helicopter service Island Express, said he has had to streamline a few things with his business as well, but has been fortunate not to eliminate any of his 21 employees. "We were lucky in the fact that we had some contracts that kept us on," he noted. "We were also lucky in the fact that we didn't have to lay anybody off. We just kind of bit the bullet and made it through with some money we had in the bank."

Island Express provides back and forth transportation to Catalina Island, as well as some charters, movie work and servicing the oil platforms off of Huntington Beach. The business has been at LGB for nearly 30 years, basing its helicopters there for mostly maintenance purposes. Moore expressed that the airport is doing a fine job assisting on-site businesses and operations. "They're bringing more people in, more airlines in and it looks nice," he said. "They're doing what they can do."

At Moore's business, profits are a little bit above where they were in 2010 after having the worst two years in 2008 and 2009, but nowhere near levels seen in 2007 and early 2008. "Having an airplane or something to fly around in, that isn't something that's really needed," he said. "A lot of what we do in aviation is disposable income, and there's not a lot of that around right now." Helicopter fuel prices are up about 30 percent from last year, Moore said, "and we've flown the same amount of time."

### **Marketing Assistance Could Boost Business**

McAchren said one issue he is concerned about is general marketing of the airport, which in turn helps market airport tenants. "All of our flight slots at this time for the airlines for aircraft over 70,000 pounds are full," he said, and noted there are 25 commuter spots for regional aircraft seating between 40 and 75 people. McAchren argues that the airport should promote these type of aircraft because they can be flown for three to four hours and are the quietest of planes – creating the least impact to the LGB noise ordinance.

"You've got a potential for . . . lots of

people coming in and out of Long Beach to spread their money around a bit," he noted. "We [LGB] have not made a specific effort to recruit carriers that have the aircraft that qualify for it." Others at the airport support a concentrated effort to fill commuter flight slots through various efforts and marketing, since the economy has forced these companies to cut advertising dollars.

At Tom's Aircraft, Jacobsen said his company has looked at all advertising and cut back its budget. "In 2004, '05, '06, '07 and '08, you didn't worry that much about \$100 here and \$100 there," he explained. "Now you kind of watch everything because \$100 here and \$100 there can mean thousands of dollars by the end of the month."

For aircraft sales, Manor said his business has to advertise heavily worldwide. "We do trade publications, we do shows and as much as we can to get the word out," he noted. "When you have the downturn like that you just don't have the resources for the advertising and the marketing." Manor said he hopes the airport continues, "to be friendly to general aviation," and recognizes its challenges.

### **Flight Schools Prepare Future Workforce**

Local flight schools are working to maintain enrollment, as funding opportunities are slim with the discontinuation of various vocational lending programs from student-loan providers like Sallie Mae in 2009.

One of the newest flight academies at LGB, Aviatour, formerly known as California Flight Center, is facing the same challenges as most other flight schools where there are applicants who want to fly but don't have the funds. According to Chief Pilot Officer Lisa Marshall, Aviatour is currently in discussions with investors to be able to get funding to provide financing for students in need, since non-subsidized student loans for such training has mostly gone with the struggling economy.

As the only Cessna pilot training center, Aviatour has one of the newer fleets with most planes being 2006 models or newer. Aviatour opened its third location in Long Beach and currently offers hourly Part 61 Carrier one-on-one training and certification. The company completed inspections May 18 by the Federal Aviation Administration to approve Part 141 Carrier packaged training certification classes, and should be able to start beefing up training in June, according to Marshall. She said Aviatour currently has 15 to 20 Part 61 students.

Marcel DeRuisse, operations manager and a flight instructor with Aviatour, said the Part 141 training would give the acade-

my the ability to take on international students and provide student visas for them. Once the academy can host Part 141 training courses, he is hoping for a class of 30-50 students to start. For now, DeRuise said the business has been doing well with its rental services since opening February 5, but once the FAA gives them the OK, the focus will shift to the academy.

(Part 61 and Part 141 refer to federal aviation regulations for the certification of schools and the training of pilots. Part 61 is less structured and more flexible, while Part 141 is more structured and includes an FAA approved training syllabus.)

Both Aviatour and other academies are reporting that the local, national and international job marketing is opening up as aging pilots retire. According to Marshall, the job pool is expanding right now for entry-level positions at carriers that are “feeder carriers” such as Sky West and American Eagle. She noted that a freight carrier on the East Coast had recently contacted Aviatour about its expanding need for pilots. Though legacy carriers, such as

United and Delta airlines, take several years to be competitive in the job market, other employment opportunities come up with local police departments, forestry services and border patrol, to name a few.

According to Susan Baker, operations manager for Long Beach Flying Club and Academy, the job market for graduates can be local as the academy is seeing hiring at companies like American Eagle and JetBlue Airways. “The industry is just starting to open up and hire pilots again,” she said in an e-mail. “We are excited to see this finally happening.”

Long Beach Flying Club, which celebrated its 30th anniversary last year, has about 700 members – half of whom are members with licenses and the other half are in training for some license or rating in Part 61 and Part 141. Students in the academy for training are mostly local and U.S. citizens, with about a third of the training population being from out of the country. Candy Robinson, owner of Long Beach Flying Club and Academy, said business is looking up because, “It’s hard to fall off the

floor.” Robinson says the economy is stuck on a negative plateau, and since the economic meltdown she has been careful to tighten down on her business budget.

The academy is open seven days a week, 24 hours a day, and employs six administrative staff and 16 certified flight instructors (CFIs), many of whom are former students working to boost their total flight hours. “Most jobs, be it corporate or regional, need the pilot to have at least 1,000 to 1,500 flight hours, sometimes even more,” Robinson said. “Being a CFI, they can boost their total time while training a student. This is the most economical way to achieve the time they need.

In general, Robinson said her flight instructors are men in their 20s or 30s, building hours to go with the airlines. Despite seeing none of her instructors get an interview for two years, three of them were recently hired by airlines in 2010. “Three really good jobs these kids went onto,” she said. “It’s thrilling for them. Since aviation always travels behind, this is a really exciting indicator.” ■