

Finance and Commerce.  
Minnesota's only business daily.  
Since 1887.

[LOGIN](#) | [SUBSCRIBE](#)

[News Archives](#) | [Classifieds](#) | [Public Notices](#) | [Events](#) | [Photos](#) | [E-mail Alerts](#)

SEARCH : Keyword



# FINANCE AND COMMERCE

[LOGIN](#)

Print E-mail to a friend Digg Del.icio.us

February 18, 2009 10:08 AM CST

## Demand for business planes falls, ends 4-year run

by DAVID KOENIG Associated Press



In this May 19, 2008, photo, security guards watch planes lined up outside the Geneva Palexpo before the European Business Aviation Convention & Exhibition in Switzerland. (AP file photo)

Battered by recession and bad publicity, sales of general-aviation aircraft favored by businesses fell last year for the first time in five years.

More: [Honda trims plane-making plans](#)

The General Aviation Manufacturers Association, a trade group for the industry, said Tuesday that shipments fell 7.1 percent last year.

The decline was concentrated in the least-expensive planes, piston-driven models, but is spreading to more costly turboprops and jets, said an official of the group.

The trade group said shipments declined to 3,969 last year from 4,272 in 2007. But manufacturers' billings rose 13.4 percent, to \$24.8 billion, because of a backlog of orders.

The group did not offer a forecast for 2009 sales, but officials said shipments of turboprops and jets — with a longer lead time between orders and deliveries — usually decline a year to 18 months after the start of a recession.

"Many of GAMA's member companies have been forced to reduce their work force as they manage backlogs to compensate for the weakness in orders," said Mark Van Tine, the association's chairman as well as the chief executive officer of Jeppesen, a unit of Boeing Co.

The recession has caused companies to cut back spending. Demand for business jets may also have been damaged by public indignation over lavish corporate expenditures at a time when tens of thousands of workers are losing their jobs.

The CEOs of the nation's Big Three automakers were roundly condemned when they took private jets to Washington in November to beg Congress for \$25 billion from taxpayers to bail out their companies. Last month, Citigroup Inc., which is getting \$45 billion in public bailout money, reversed course and decided against taking a new corporate jet it had ordered after the Obama administration criticized the purchase.

Advertisement

Corporate chieftains scored one victory, however, when Congress backed down from a threat to prohibit banks getting bailout money from buying or leasing private aircraft. Lawmakers in Kansas, a center of aircraft manufacturing, said the ban would cost jobs in their state. Sen. Sam Brownback, a Kansas Republican, said it was "time to cool the overheated rhetoric on the use of business aviation."

Oscar S. Garcia, chairman of aviation consultant InterFlight Global Corp., said orders began to fall before the automaker CEOs' fiasco — mostly because of stricter loan requirements by banks. Instead of making aircraft loans at 5 or 10 percent down, banks began requiring 20 to 30 percent equity from the borrower, he said.

### Related Links

#### Other Nation

- [Goodyear cutting nearly 5,000 jobs after 4Q loss](#)
- [Automakers dismiss bankruptcy; U.S. won't rule it out](#)
- [Honda trims plane-making plans](#)
- [U.S. stocks tumble on recession concern](#)
- [Trump casinos file for bankruptcy a third time](#)
- [Wal-Mart earnings beat estimates](#)
- [SEC charges Texas financier with massive fraud](#)
- [Reports of U.S. manufacturing's death are greatly exaggerated, workers say](#)
- [Obama rejects 'car czar' idea, sources say](#)
- [G-7 gives Geithner plan warmer reception than markets did](#)

Garcia predicted that orders will fall sharply this year, about 20 percent for business jets to 40 percent for piston-driven planes and their more price-sensitive buyers.

The aviation manufacturers' group and its allies in Congress say private aircraft boost productivity of executives by letting them travel on short notice to meet customers and suppliers, many of whom aren't near airports served by major airlines.

"These are not luxury products; they're a necessity for companies to do business in today's just-in-time economy," Jens Hennig, the trade group's vice president of operations, said in an interview.

But bad publicity like that engendered by the auto executives has hurt sales, he said.

"Even if they are making a wise decision" to buy a corporate plane, Hennig said of officials at many companies, "they are worried they're going to be the target of the next round of stories."

Aircraft manufacturers are also making an economic case for their product. Citing a 2006 study commissioned by the General Aviation Manufacturers Association, they say their industry adds \$150 billion a year to the U.S. economy and employs 1.2 million workers.

At the trade group's roughly 65 member companies, employment peaked at 145,000 in mid-2008, but companies have announced 11,000 layoffs since December, Hennig said.

In just the past three weeks in Wichita, Kan., Cessna, the nation's largest maker of general-aviation aircraft, nearly doubled its planned layoffs to 4,600; Hawker Beechcraft announced 2,300 cuts on top of 500 in November; and Canada's Bombardier said it would trim local jobs.

*This report includes material from Bloomberg News.*

## Comments

No comments posted yet.

## Send Us A Comment

Name:

Email:

Comments:



Please type in the text from the above image:

[Manage My Account](#) • [Advertising](#) • [About Us](#) • [Subscriber Services](#) • [Contact Us](#) • [Privacy Policy](#) • [Terms and Conditions](#)



Finance and Commerce, U.S. Trust Building Suite 100, 730 Second Ave. S., Minneapolis, MN 55402 (612) 333-4244