



Skyrocketing Fuel Costs Impact Everyone In General Aviation

There's no question that fuel costs are adversely impacting organizations and small businesses using general aviation. *Historically, the general aviation community has paid nearly twice the price for fuel than that paid by the commercial airlines.* The impact of continuing price increases on the industry is visible in all parts of the country, and businesspeople are struggling to grapple with the situation.

General Aviation Fuel Sales Down Significantly

Reports from major fuel providers and charter companies show that as fuel prices have spiked, consumption and use are declining significantly. A recent survey of operators from across the country found:

- Purchase of Jet-A fuel has fallen by 10% to 20%.
- Purchase of AvGas has dropped by 30% to 40%.

General Aviation Activity Declining, Behaviors Changing

Fuel costs are changing operational behaviors, The Federal Aviation Administration (FAA) recently reported that activity at general aviation airports is down significantly, and as an example cited operations at Springfield, IL, which had declined 30%.

An aviation consulting group conducted a recent informal survey of fixed base operators (FBOs) at general aviation airports. It found that the vast majority (98%) of those who continue to fly cite rising fuel costs as a concern, and are taking measures to minimize consumption. Among those surveyed:

- 28% request more direct routings;
- 15% have started tankering fuel;
- 40% reported flying at slower speeds to save fuel;
- 19% have cut back on hours flown, and;
- 76% reported customers switching FBOs to find lower-priced fuel.

Fuel Costs Hitting Across the Board

Eighty-five percent of the companies that utilize business aviation in the United States are small and mid-size businesses, representing many different types of industries. There's no question that the impact of rising fuel costs is being felt in all corners of the nation's economy.

- A top-tier fractional provider recently announced layoffs due to fuel costs and reduced flying.
- FBOs on average now participate at about four fuel card or fuel discount programs to save money for their own flight operations and those of their aviation customers.
- The challenges prompted by soaring fuel costs aren't limited to the marketplace. Philanthropic organizations that rely on general aviation aircraft are straining under the weight of increased fuel costs.

In summary, rising fuel costs are having the same adverse impact on general aviation, including business aviation, that is being experienced by other transportation sectors.

In Their Own Words: NBAA Members Are Struggling With Fuel Cost Increases

Soaring costs are forcing businesses in NBAA's Membership to cut back on flights and risk losing business opportunities. Consider the following testimonials:

"I used to [fly my plane to] visit every possible prospect in hopes of growing our business. Unfortunately, because fuel costs make sales calls with the plane so expensive, I now only make those calls I know in advance have a high probability of closing. Clearly, my firm is missing important opportunities and suffering as a result. Deciding when to fly to meet with a potential customer is a tough call when you are a small business located in a place with little or no commercial air service."

Bryan Currier, president of NBAA Member Company Advantage Technologies, Inc., a Troy, MI-based medical information technology (IT) consulting firm with 18 employees.

"Fuel is by far the largest expense for me. When I do my flight planning, I look for the FBOs with the least prohibitive fuel costs, and the airports with those FBOs are the ones I fly into. My real estate clients expect me to see the sites I'm selling first hand, and if I can't fly to those sites, it's much harder to handle that aspect of my business, especially since most of the markets involved don't have robust airline service. If fuel costs go up substantially, my business will be adversely impacted, and some opportunities will literally be eliminated."

Paul Stafford, a commercial real estate investment specialist with NBAA Member Company Pentad Properties, based in Missoula, MT

"We need the company King Air turboprop to visit our construction sites through Virginia and the Carolinas, so we can meet with employees and customers to assure them in these trying times. However, fuel costs are going through the roof, and if they continue to rise, we may lose out on trips like these."

Scott Moore, chief pilot with NBAA Member Company Luck Stone, a family-owned building company in Richmond, VA.

"We rely on our turboprop airplane to help us cast a wide net to find new scrap metal providers and remain in close contact with existing providers. Fuel cost is a major concern for me. I spend a huge amount of time fuel planning to ensure I get the best possible price I can. I check three or four different airports to find the lowest fuel costs. At current prices, we just can't afford not to devote time to fuel cost-mitigation strategies. Manitoba Recycling can't survive and grow without the plane but with fuel prices so high, we can't afford to fly as much as we really need to."

Richard Shine, president of NBAA Member Company Manitoba Recycling, a family-owned scrap recycling business based in Lancaster, NY.

"Fuel prices are breaking our back; our charity has literally gone broke because of fuel prices. There is no question that if fuel costs continue to rise, then our mercy missions will significantly fall off, and we'll be leaving behind people in need of access to major medical centers."

Cody Welch, president and founder of NBAA Member Wings of Mercy, a Linden, MI-based 501(c)(3) non-profit provider of air transportation for patients needing treatment at distant medical facilities.

"Over the past three months, fewer volunteer pilots in my organization have been able to fly Lifeline flights because of rising fuel costs. Many of these pilots, who are either self-employed or fly for a small business have had to cut back on their flying, resulting in less flights for patients who need specialty medical care but cannot afford to reach the hospitals and treatment centers. High fuel prices will continue to be a major issue for charitable organizations across the country in the coming months."

Keith Laken, President of the Peoria, IL-based Lifeline Pilots.

Media Organizations Are Reporting on the Impact of Fuel Costs on General Aviation

"At Cobb County's McCollum Field (KRYF), a gallon of aviation fuel is \$5.95. In-town at Fulton County Airport, it jumps to \$7.43. Prices that high are keeping some planes grounded. According to FAA statistics, in May of last year, McCollum field saw more than 5,000 take offs and landings of locally based aircraft. For this past May, that number fell to about 2,800. 'We've lost a handful of customers this year who've ended up selling their aircraft,' says Andrew Ash who manages Preferred Air Service at McCollum Field. 'For those that are still here, you see a lot of them, again, that are scaling back. You know, they're really watching it. I think everyone's really hedging themselves to just sit tight for a while.'"

- WABE-FM Atlanta, GA July 15, 2008

"Most business-jet customers pay attention to fuel costs-especially because these planes increasingly are being bought by cost-conscious intermediaries such as charter, air-taxi, and fractional-ownership companies. 'Because of rising fuel costs, fuel efficiency has suddenly become an issue for business jet owners,' says John Rosanvallon, CEO of Dassault Falcon."

- *Business Week* July 16, 2008

"SheltAir, a fixed-base operator at Jacksonville International Airport, has seen a 10 percent to 15 percent reduction in business in the past four months, largely due to the decrease in fuel sales...Sales of Jet A are down 10 percent to 20 percent, and sales of aviation fuel are down 30 percent to 40 percent, said Dan Hubbard, a spokesman for the National Business Aviation Association. Doing business through online meetings and teleconferences is also becoming more attractive."

- *Jacksonville Business Journal* July 14, 2008

"National Air Transportation Association spokesman David Almy said national sales averages of avgas are down anywhere from 10 to 50 percent, pointing to a softening general aviation market."

- *Aero News* July 7, 2008

"Central Florida's general aviation airports and related businesses are experiencing sharp drops in fuel sales and the number of flights, due to soaring fuel prices and a tight economy. Operations - takeoffs and landings - declined a combined 11.3 percent through the first five months of the year at Orlando Executive, Kissimmee Gateway, Orlando Sanford International, Orlando International and Daytona International airports. Meanwhile, combined fuel sales at those four airports nose-dived 6.75 percent."

- *Orlando Business Journal* July 7, 2008

"Record oil prices are affecting recreational pilots, the sales of small used aircraft and the sale of aviation gas and jet fuel. 'People in general aviation... are subject to the sluggish economy and high fuel costs just like everyone else,' said Dan Hubbard, a National Business Aviation Association spokesman."

- *The Wichita Eagle* July 6, 2008

"The plunge in fuel sales results in a drop in takeoffs and landings at some general aviation airports. Pilots have also switched their fixed-base operators based on the prices charged for fuel; are flying at slower, more fuel-efficient speeds; and taking more direct routes to their destinations... In the greater Valley region, Van Nuys operator Clay Lacy estimated his fixed-based facility has been selling 25 percent less in fuel to private owners, compared to a year ago. In Camarillo, Steve Lassetter of Sun Air Jets, reported an increase of \$1.60 per gallon in the cost of jet fuel since January."

- *San Francisco Valley Business Journal* June 23, 2008