

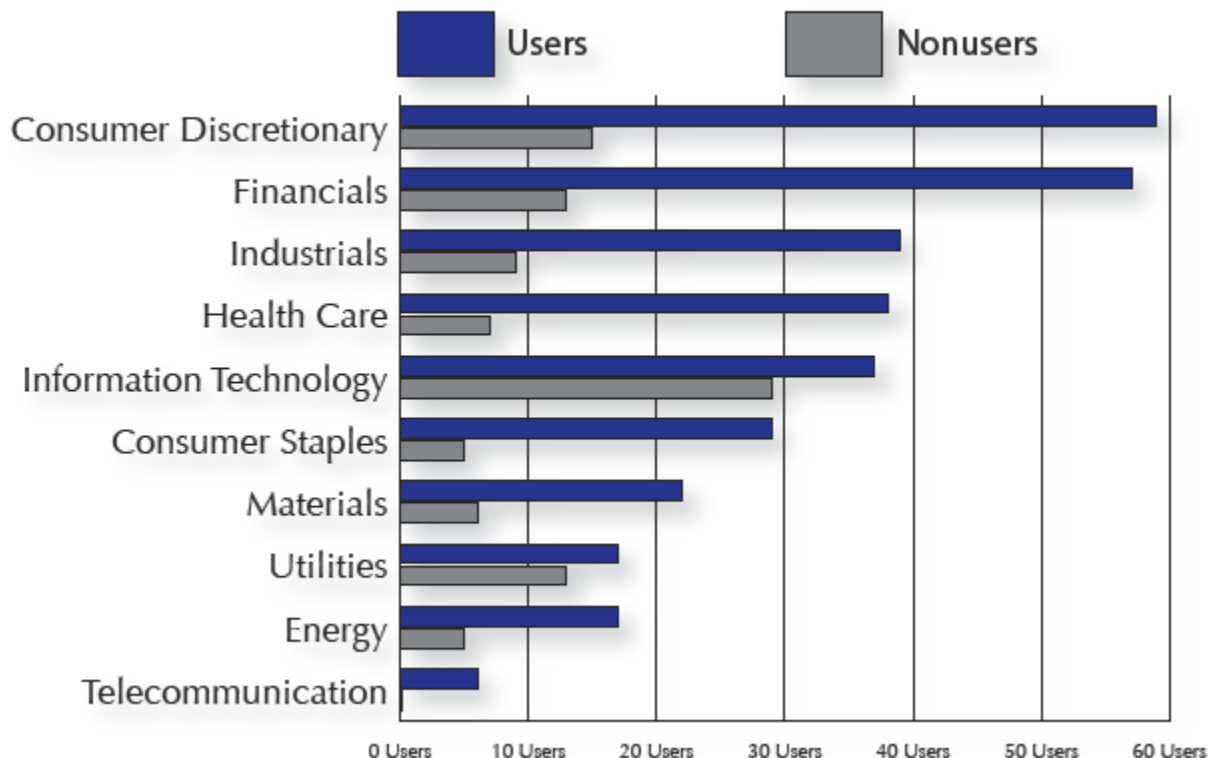
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New NEXA Study Confirms Competitive Advantage of Biz Aircraft

Kathryn B. Creedy

Anyone who has been in business aviation for years, knows the side of the story that was not talked about during the pistol whipping the industry took earlier this year but yesterday the **National Business Aviation Association (NBAA)** and the **General Aviation Manufacturers Association (GAMA)** launched a new salvo confirming those that use business aviation are far more successful than those who do not. The study is only the latest ammunition in the industry's arsenal against what has been called an air war against business aviation.



The study – *Business Aviation – an Enterprise Value Perspective* – done by **NEXA Advisors**, updates the 2001 **Arthur Anderson** study which was largely ignored in this year's debate. It provides important updated data including how the **Standard & Poor's (S&P) 500** performed in revenue growth, profit growth and asset efficiency from 2003 through 2008, the most recent six-year period for which complete data was available. Business aircraft use was tied to key enterprise drivers outlined in the study; S&P 500 executives were also extensively interviewed, and an independent cross-reference of findings was performed.

The Nexa Study

And now industry has a new tool with the NEXA Advisors study, according to NBAA President Ed Bolen, who said it establishes the business case for business aircraft yet again. "This study shows what the people in the business aviation community have always known," said Bolen. "A business airplane is the sign of a well-managed company, because business aviation helps companies of all sizes be more efficient, productive and competitive."

"It's no surprise that America's best-performing and most-admired companies rely on business aviation to provide concrete and unique competitive benefits that are reflected in shareholder and enterprise value," said GAMA President and CEO Pete Bunce.

The study concludes: "Business aircraft users had a dominant presence, on average of 92 percent, among the most innovative, most admired, best brands, and best places to work, as well as dominating the list of companies strongest in corporate governance and responsibility." The report also found business aviation alone is the only asset capable of accelerating strategic transactions and therefore providing a competitive edge to top-performing companies.

"In conducting this study, we found that companies using business aircraft outperform non-users across every key financial and non-financial measure of business success," said the study's lead author, Michael Dymant, managing director of NEXA Advisors. "Importantly, users found ways to deploy this unique asset, driving increased revenues, profitability and efficiency by a wide margin over nonusers. Most surprisingly, we found that business aircraft users had a dominant presence, on average of 92 percent, among the most innovative, most admired, best brands, and best places to work, as well as dominating the list of companies strongest in corporate governance and responsibility.

"This report carries a powerful message to company boards, government policy makers and industry leaders," Dymant continued. "Business aviation is a tool that provides a unique competitive benefit to America/s businesses, manifesting in higher shareholder and enterprise value. In its unique role, business aviation is without substitute. The failure of American business leaders to grasp important business aviation concepts and value drivers could lead to value destruction for our most admired, innovative and successful companies. We conclude that the challenge for any company is to identify all of the potential uses and benefits of these assets and to operate them in ways that will produce the greatest gain."

Dymant outlined the study's findings:

- Average annual revenue growth on a market cap-weighted basis was 116 percent higher for users of business aircraft than for non-users;
- Average annual earnings growth was 434 percent higher for users of business aircraft than for non-users;
- Total stock and dividend growth was 252 percent higher for users of business aircraft than for non-users;
- Total share price growth was 156 percent higher for users of business aircraft than for non-users, and;
- Market capitalization growth as measured by market value growth was 496 percent higher for business aircraft users than for non-users;

The study also points to a number of other noteworthy connections between well-run companies and those that use business aviation, including the following:

- Among Business Week magazine's 2009 "50 Most Innovative Companies," 95 percent of the S&P 500 companies were business aircraft users;
- Among the same magazine's 2009 "25 Best Customer Service Companies," 90 percent of the S&P 500 companies were business aircraft users;
- Among Fortune magazine's 2009 "100 Best Places to Work," 86 percent of the S&P 500 companies were business aircraft users;
- Among the same magazine's "World's Most Admired Companies," for 2009, 95 percent of the S&P 500 companies were business aircraft users;
- Among Business Week/Interbrand's 2008 "100 Best Brands," 98 percent of the S&P 500 companies were business aircraft users, and;
- Among The CRO's 2009 "100 Best Corporate Citizens," 90 percent of the S&P 500 companies were business aircraft users.

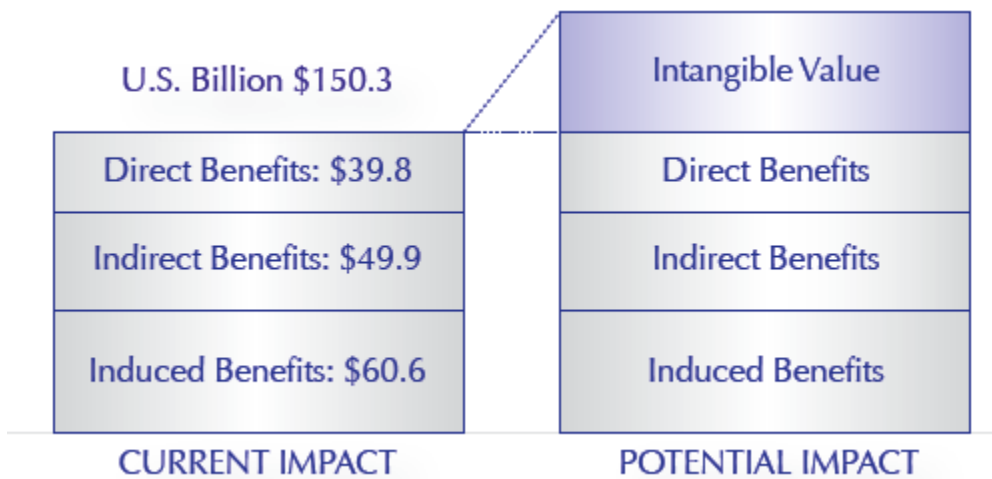
Attacks on GA Continue Despite Combative Defense

The report comes a week after *USA Today* launched another ill-informed tirades against general aviation attacking the federal funding GA airports receive saying they receive far more than airline airports that few people use. It comes as no surprise that **Air Transport Association's** Jim May was quoted saying that airline passengers pay for the GA airports. One has to wonder whether the article was just another part of his anti-GA campaign.

Of course GA was not the only industry under attack this year and the NEXA study comes on the heels of a similar travel industry study tallying the damage and making compelling cases for executive meetings. (See article in Breaking News section below) The **National Business Travel Association** study – Can We Afford Not to Invest in Business Travel – reports businesses are missing \$200 billion in additional gross profits in reducing their strategic business travel. New NBTA Study Shows Dramatic ROI Of Meetings <http://www.thebeat.travel/blog/node/1569>. It also noted that for every \$1 spent on business travel returned \$15. Increased travel spending, it said would mean 5.1 million new jobs generating more than \$101 billion in tax revenue.

Back to the USA Today article: The newspaper, who called the **Aircraft Owners and Pilots Association** the “NRA of the air,” completely ignored GA’s contribution to the economy as the NEXA report so rightly pointed out in quoting the General Aviation Manufacturers Association, business aviation:

- Directly supports over a million jobs in the U.S. with a collective payroll in excess of \$53 billion. Direct impacts, such as the sale and operation of an aircraft, multiply as they trigger transactions and create jobs elsewhere in the economy. Service industries such as hotels and catering also benefit greatly from business aviation.
- Strengthens the country’s balance of trade. In 2008, general aviation manufacturers generated \$5.9 billion in new airplane export revenue, which was a 27.8 percent increase over 2007. These exports accounted for 43.9 percent of the total value of U.S. manufactured general aviation airplanes in 2008.
- Provides a lifeline to communities with little or no commercial airline service
- Contributes life-saving services to our communities through charitable and humanitarian flights
- Helps thousands of businesses of all sizes to be more productive and efficient
- In total, these activities generate over \$150 billion in economic output as well as substantial, additional benefits.



AOPA’s President Craig Fuller put the issue into perspective when he said: “To suggest that smaller airports are not needed is like suggesting that we should have a road system that connects only the country’s 150 largest cities.”

“Just as every driver pays taxes that fund road maintenance and development, so every person who flies pays taxes to maintain the airport and air traffic control system,” he wrote in his OpEd in the newspaper. “You might never drive to the tens of thousands of small communities served by our national highway system, and you might never visit thousands of small airports that make up our aviation system. But because those roads, and airports, serve the public good, we all pay a share for their maintenance.”

He contested *USA Today* statistics suggesting GA gets out of federal coffers far more than they put in. “In fiscal 2007, GA airports that received federal grants got an average of \$750,000 each. That same year, commercial air carrier airports that received funding got an average of \$5.5 million each — more than seven times the amount awarded to smaller fields.”

Both National Business Aircraft Association and the General Aviation Manufacturers Association came to the small airport defense noting the airlines do not serve these communities.

The measure of how frustrating this year's air war has been, can be seen in the reaction of **National Air Transportation Association** President James Coyne earlier this year. "It's not fair for private aviation to become a political punching bag in some perverse populist version of class warfare in the skies," he told President Obama in a letter. "Personal aviation is a critical tool for many businesses even when times are tough and profits are scarce, especially if their competitors are hunkered down and clueless about new opportunities.

"Why shoot every personal airplane out of the sky," he asked in his impassioned plea. "The airlines don't meet the needs of thousands and thousands of businessmen and women...[who] need more flexibility, more speed, more security, more availability, better schedules, and more control...CEOs, when they get on that jet, are actually increasing sales, making investments, evaluating major projects, delivering speeches, motivating their troops, making new loans, expanding plants, exploring new markets, finding new resources, beating competitors, attracting investors, and saving their company. They want to soar and build their businesses. Isn't that exactly what we need to get out of a recession? In fact, we need more personal and business aviation activity now than ever before - it's the get-the-job-done tool that's vital for American business."

Dare we mention that even President Obama benefits from his own corporate flight department?

Coyne's plea followed the **Cessna/Hawker** campaign against all the misrepresentations printed since the auto manufacturers swooped into town in their business jets nearly a year ago begging for a bailout.

"The CEO's of the 3 big car manufacturers lacked the starch of Lee Iacocca, who faced the same dilemma in the early 1980s when he appeared before Congress asking for loan guarantees to bail out Chrysler," **Embraer** Vice President Market Intelligence Executive Aviation Claudio Camelier told *Aviation Today's Daily Brief* last week. "Confronted with the same Congressional grilling, Iacocca said of his corporate aircraft, 'OK, I'll sell it, but I will be damned if I know how I will run Chrysler's plants in small towns all over the USA. I guess I will just have to lease it back.'"

The Cessna/Hawker campaign provided the "fightin' words" for an industry that represents more than 5.5 percent of total GDP and an industry that America dominates globally, something lost in the coverage and the criticisms the industry has endured this year. Business aviation provides the perfect nexus between Wall Street and Main Street because it is on Main Street these aircraft are produced.

The Cessna/Hawker campaign, along with NBAA's *No Plane, No Gain* campaign frankly, urged business leaders to unfurl from their fetal positions, pick themselves up, dust themselves off and fly their way out of crisis.

Cessna believes that this crisis can only be resolved by reminding American business executives who they are - the most competitive people on the planet largely because of the flexibility provided by those business aircraft. After all, it was U.S. business, using aircraft as a productivity tool that taught the rest of the world how to better compete.

"We are demanding business leaders and managers work at their absolute peak to turn their companies, and our economy, around," said Cessna Chair Jack Pelton. "Business aviation provides the means to do just that. A business aircraft is a tool of industry, and one that should see its highest and best use during times of fiscal crisis. Anyone who has ever seen managers board an aircraft at dawn and return well after dark, having visited multiple cities and attended countless meetings in one day can attest to the fact that business aviation allows companies to get the most out of every minute of every day - exactly what is needed to work our way toward economic recovery."

Like a coach in the locker room at half time, Pelton punched out his messages. "Timidity didn't get you this far. Why put it in your business plan now? In today's corporate world, pity the poor executive that blinks. The good news is, in trying times like these, fortunes favor those who make bold, decisive moves. One thing is certain: true visionaries will continue to fly. Because, in tempestuous times, leaders recognize it's not about ego. Or artifice. It's simply about availing yourself of the full range of tools to do your job."

Rather than criticize the segment, Pelton instead called for support. "We need support for those with the courage to stare down the beast, and use business aviation to not only help their businesses survive the current financial crisis, but more quickly forge a path toward an economic upturn."

And perhaps no one is better able to testify to the competitive difference between American and international business executives than **HondaJet** Chair M Fujino, whose first assignment in the U.S., long before Honda entered the aviation market with its own HondaJet, was in Mississippi. It was there that the seeds of his futuristic small jet program germinated simply because he was watching what U.S. business executives were doing. Fujino, 20 years ago, marked the difference between U.S. execs and their counterparts around the world.

"I saw that the business jet is a very key tool to make maximum use of the huge resources in the United States," he said. "That is one of the key tools for success of American business over the last 20 years. If you don't have such efficient tools, you will not maximize the use of those resources and you may not be able to have this kind of strength in business compared to all the other countries. So a business jet, if it is efficiently, wisely and properly used, is exactly the symbol of success of American business."

While the critics cast the debate in terms that business aviation is nothing more than fat cats, Jack Daniels in hand, flying around in a haze of cigar smoke, they miss the point that, if that were all that business aviation is about, its value would be greatly diminished. But, according to Dymont, the debate instead can only be cast in terms "competitive, economic, social and enterprise value considerations, factors that service shareholder or enterprise interests," all of which are detailed in *Business Aviation – an Enterprise Value Perspective*.

"The market rewards knowledge integration, relationships, organizational agility, information, and speed," he said in the report. "Importantly, users found ways to deploy this unique asset, driving increased revenues, profitability and efficiency by a wide margin over nonusers. Most surprisingly, we found that business aircraft users had a dominant presence, on average of 92 percent, among the most innovative, most admired, best brands, and best places to work, as well as dominating the list of companies strongest in corporate governance and responsibility."

Beyond the Business Case

The study outlined the challenges for business travelers including the fact they need door-to-door solutions rather than the gate-to-gate service provided by airlines. "Only business aviation can uniquely address emerging needs of certain business travelers in today's complex, war-is-business, environment," said the report.

- A typical frequent business traveler flying from one of the 25 busiest U.S. airports can expect to lose one or more hours of productive work or personal time on the average trip. Airports and airline schedules are designed to route travelers in a way that minimizes airline costs and not in a way that optimizes traveler productivity.
- The need for air travel continues to grow from 465 million annual domestic passengers in the U.S. in 1990 to 750 million in 2008. By 2021, according to the [FAA](#), some 1 billion passengers will fly in the U.S. Over 40 percent will be business travelers.
- More than 26 percent of all airline flights were delayed, diverted or cancelled in 2008, according to U.S. Department of Transportation statistics.
- Airline business class and walk-up fares have increased dramatically over the last 10 years, and are not being offset by a similar improvement in traveler productivity.

"You can't have a productive work day sitting in an airport and on a ramp," one S&P 500 senior executive told NEXA. "We typically see a time savings of 50 to 75 percent on certain trips using business aviation instead of scheduled commercial service."

But here's the real kicker. Previous industry studies show passengers report spending nearly half (48%) of their time aboard company aircraft in work-related meetings, conferences, or discussions with other company employees or customers, compared with only 8% of time in these activities while aboard commercial aircraft. Compared with a typical office productivity level of 5.0, passengers rank their productivity while aboard a business aircraft at 6.2, while productivity aboard commercial airline aircraft is only 3.2. [Related Story](#)

“Aviation remains, in many people’s minds, the final frontier of connectivity,” said **Rockwell Collins** Chair Clayton Jones. “There is really no place in the world that you can go and not be relatively conveniently connected to your home and office, except on board an airplane. We believe that will not be a tolerable situation for consumers for the same reason you want to be connected in that restaurant, in your car or anyplace else. So our job is to conquer that final frontier. If you’re on a commercial airplane and you’re flying, let’s say, six hours coast to coast, you’re pretty much out of the loop. Although some airplanes have telephones on them, we all know telephones are intrusive, in fact there is a bill in Congress to prevent airlines from allowing cell phone usage on the airplane.”

While business aviation users are now used to total connectivity, it was only in January that airlines began rolling out their latest product – onboard Wi-Fi availability at \$10-\$15 bucks a pop. But there is still the security question.

“With the business aircraft, you are flying in a discrete environment,” he continued. “You don’t have to worry about your competitor in front of you or next to you. Second, you’re in an environment where you can actually work while you fly. On many occasions, I’m having business meetings with my colleagues who are flying with me, working, whatever issue it is, in real time, not just telephone but now internet, email, live-broadcast TV. So literally a business executive who is in this aircraft for hours at a time is never disconnected from what is changing or happening in the world. If you look at the pace of change in the world and how information flows and importance to business decisions, we think that’s important.”

That is not to say that business aviation users do not use commercial airlines. “If I looked at our entire travel budget,” Jones told **Congress** earlier this year, “it’s still predominantly with commercial airlines. So it’s not as if we are using it in lieu of commercial airlines, but we use it to complement commercial airlines to do things and to go places they don’t go, to access airports that they don’t serve that are closer to our facilities and again save time. So it is that business tool and utility that is a complement that helps make our company successful.” [Related Story](#)

“Let’s face it, you know most people only understand what they experience and most people fly the commercial airlines,” Jones continued. “They probably go to between 70 and 150 locations throughout the United States. The other thing that these business aircraft do is that it actually takes the pressure off some of these major airports which we know in normal times are very congested. People don’t appreciate the number of airports available and especially the number of small towns that are connected in many cases completely and only through general aviation.”

This is the ability to disseminate jobs where the people are, he continued. Indeed, it is business aviation that made companies located in off-line locations successful.

Using airlines is getting harder to do. Employees are spending more and more windshield time getting to the nearest airport, especially in the west. That eats away valuable time like a pack man on steroids. Increasing airline cutbacks mean the odds of being quickly re-routed are slim to none. This is the reason cited by a **Stanford Transportation Group (STG)** study for a migration from commercial to business aviation, huge trend before the crisis. Clearly, business aviation is the last frontier in capturing additional productivity gains. [Related Story](#)

“Dozens of regional airports lost all scheduled air service last year,” the **Regional Airline Association** reported earlier this year. “It is not just the smallest communities at risk for losing air service. Each of these communities – Appleton, Hartford, Abilene, Billings, Bemidji, Bellingham, Boise, Butte, Casper, Cincinnati, Cheyenne, Daytona Beach, Eugene, Evansville, Farmington; Gainesville, Green Bay, Lewistown, Milwaukee, Wichita Falls, Sarasota, Sioux City, Tallahassee, Toledo and Tucson and many others like them – lost at least one quarter of their scheduled departures last year.”

Clearly, the value of general and business aviation goes far beyond flying corporate execs around the world and it is not an exaggeration that business and general aviation constitutes a vital lifeline for Main Street, creating industrial opportunities far from commercial transportation.

"Investment isn't happening in the major metropolitan areas," said Micheal Boyd, who heads Boyd Group. "The investment is happening in Lansing, Moline, Bloomington, Charleston, and Montgomery along with a lot of other medium-sized cities."

Boyd pointed to the chronically poor deep south where major investments from Asia include **Hyundai** in Montgomery, Ala; **Eurocopter** and a Russian steel mill in Columbus, Miss; a **BMW** factory in Spartanburg, S.C.; a major Brazilian-system **GM** truck facility in Shreveport, La; an Infiniti factory in Jackson, Miss; and a major global exporter of rail equipment in Erie, Pa.

"These facilities are generating significant international investment and increases in business traffic between one another and international destinations," he said. Pointing to the emerging communities of interest this investment generates, that means trouble shooters as well as marketing and sales execs will have to get from Shreveport to Lansing or even to Shanghai.

Business aviation provides access to almost ten times the number of airports served by the airlines, translating into multiple daily site visits with confidential business conducted en route, instead of hours of downtime flying commercially. Nearly 100 points were dropped from the national air transportation system last year alone, making the business aviation case even more compelling.

"Absolutely," said Jones. "Recently, I sat next to the president of the **Des Moines Rotary Club** who is a small business owner in Iowa who services his customers from seven different locations throughout the state and would not have the ability to connect those locations and to manage his business if he didn't have a general aviation aircraft that he uses personally and his company uses to go to all of these locations because every one of them, except for Des Moines, is in a small town in Iowa. While he could fly a large aircraft into Des Moines, he would spend probably five times more visiting these locations if he had to do it by car.

"Those are examples that the public does not see of the small and medium sized businesses that are regional or local that need this kind of tool to just run their business at the speed that the world is going in today," Jones continued. "You know a car might have been great, just like a boat used to be great two centuries ago to travel between the United States and Europe. Today you wouldn't think about taking a boat because of the downtime you would take."

Conclusion

Those who would like to see executives called out on the parade ground and stripped of their corporate jets like a disgraced soldier having his sword broken before summarily being kicked out of the fort, should be careful what they wish for.

These aircraft are no magic carpets for fat cat CEOs. These aircraft are business tools that succeed in making the corporations more competitive in a global marketplace. While many may resent the tools that make corporate executives successful, business and general aviation aircraft should be seen as prisms through which to view the nexus between Wall Street and Main Street.

Pelton sees it just a bit differently. "Shame on those who suggest that business aviation is little more than a corporate frivolity," said Cessna CEO Jack Pelton in his business aviation education campaign. "Focusing on facts over hyperbole, it's glaringly apparent why you fly. Study after study shows companies operating business aircraft outperform competitors that don't. It's simply about availing yourself of the tools to do your job."

And now the NEXA study proves it once again.