

# The Role of Business Aviation in the European Economy

*Market Update and Findings of Oxford Economics Report*

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**Business Aviation World Conference Farnborough**  
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# What is Business Aviation?

Business Aviation is that sector of aviation which concerns:

- the operation or use of aircraft by companies for the carriage of passengers and goods as an aid to the conduct of their business
- flown for purposes generally considered not for public hire
- and piloted by individuals having at the minimum a valid commercial pilot licence with an instrument rating.



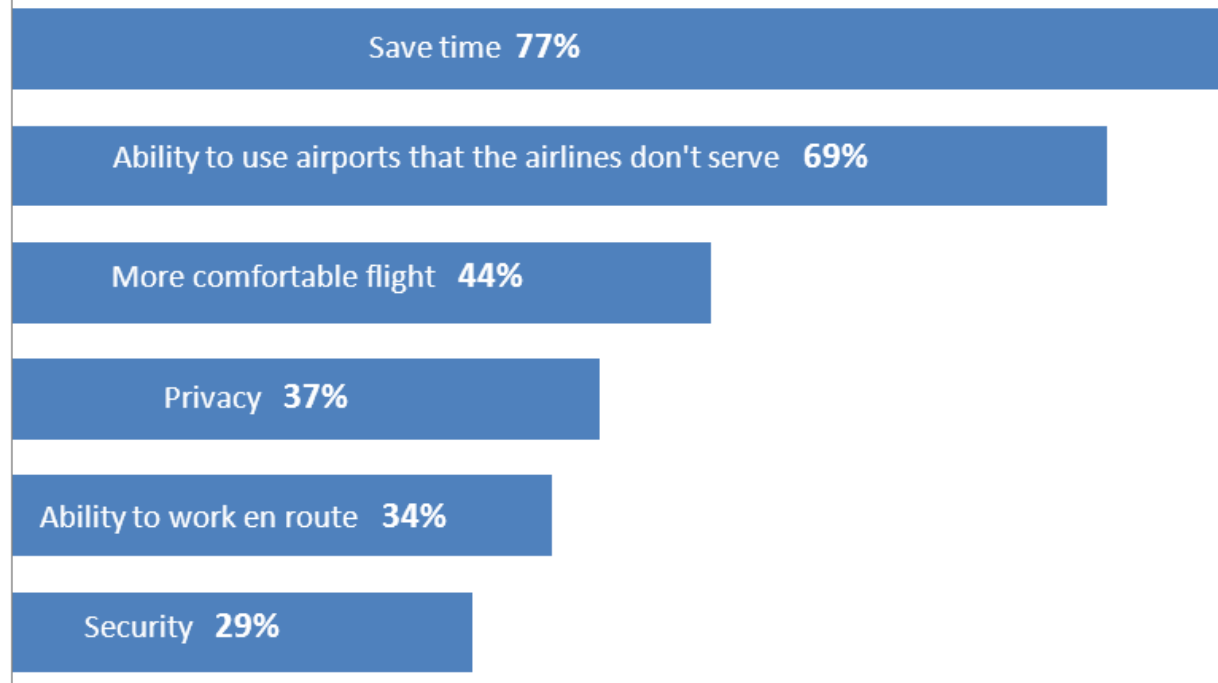
## Meeting a Credible Demand

- New markets - regionally, nationally & globally
- Travel is an essential fact of business, even in the electronic age
- Airline travel experience has degenerated especially on short haul
- Time wasted at airports and indirect travel lowers productivity
- Productivity drives profits and is a key success factor in business today
- Time kills deals

With business aviation  
***four days become four and a half hours***



# Customer Requirements



Source: Business Jet Travelers' Reader's Choice Survey 2011

- More recent surveys of business aviation passengers identify a similar set of preferences





## Debunking Myths

Myth	Reality
BusAv is for fat cats	Actually in Europe 80% of usage is by corporations and governments and <3% by HNWI
Bus Av is an unnecessary luxury	Actually the industry is a major wealth and jobs creator
BusAv competes with the airlines to benefit the few over the many	Actually BusAv serves predominantly those city pairs poorly or not served at all by the airlines



# Viewpoint: European Commission

“General and Business Aviation provides *closely tailored, flexible, door to door transportation for individuals, enterprises and local communities*, increasing mobility of people, productivity of businesses and regional cohesion.”

Communication from the Commission

An Agenda for Sustainable Future in General and Business Aviation

11 January 2008 COM (2007) 869 Final

## Viewpoint: European Parliament

“General and Business aviation ***complements regular air transport by commercial airlines*** and this provides specific social and economic benefits such as increasing the mobility of citizens, the productivity of businesses and regional cohesion...is of growing economic importance.”

European Parliament resolution of 3 February  
2009 on an Agenda for Sustainable Future in  
General and Business Aviation 2008/2134(INI)



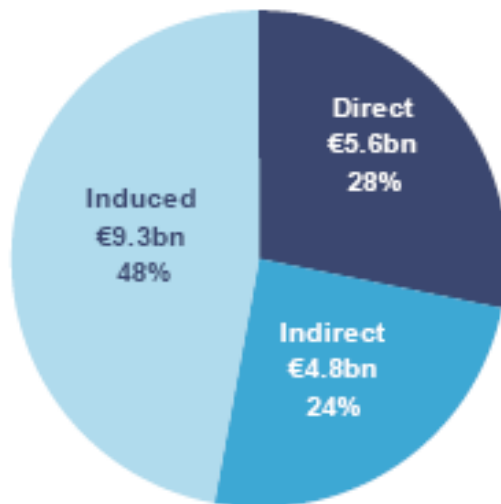
## Viewpoint: Economist

“The business aviation sector ***contributed a total of €19.7bn in annual gross value added (GVA) to the European economy*** in 2007, accounting for approximately 0.2% of the combined GDP of the European Union (EU), Norway and Switzerland”

Based on findings of 2008 - *PriceWaterhouse  
Coopers Study: Economic Impact of Business  
Aviation in Europe*

# Economic Impact on Europe

Figure 1. Total GVA impact of business aviation by type<sup>4</sup>

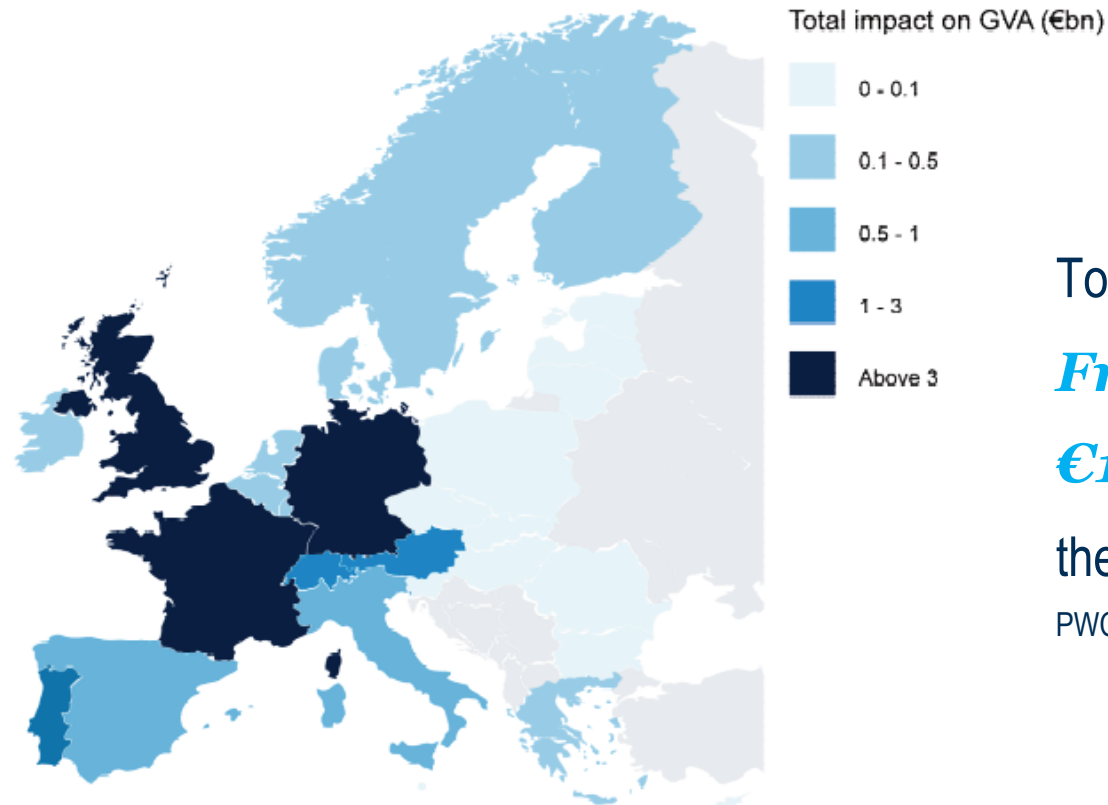


Business Aviation accounted for more than **164k jobs across the continent** and generated combined **annual wages and salaries of around €5.7bn**. – 2008 PWC Report



# Economic Impact on Europe

Map 1. Total GVA impact of business aviation in individual countries



Total impact of business aviation in *France, UK & Germany is €12.6bn*, which represents 64% of the total industry GVA in Europe. – 2008

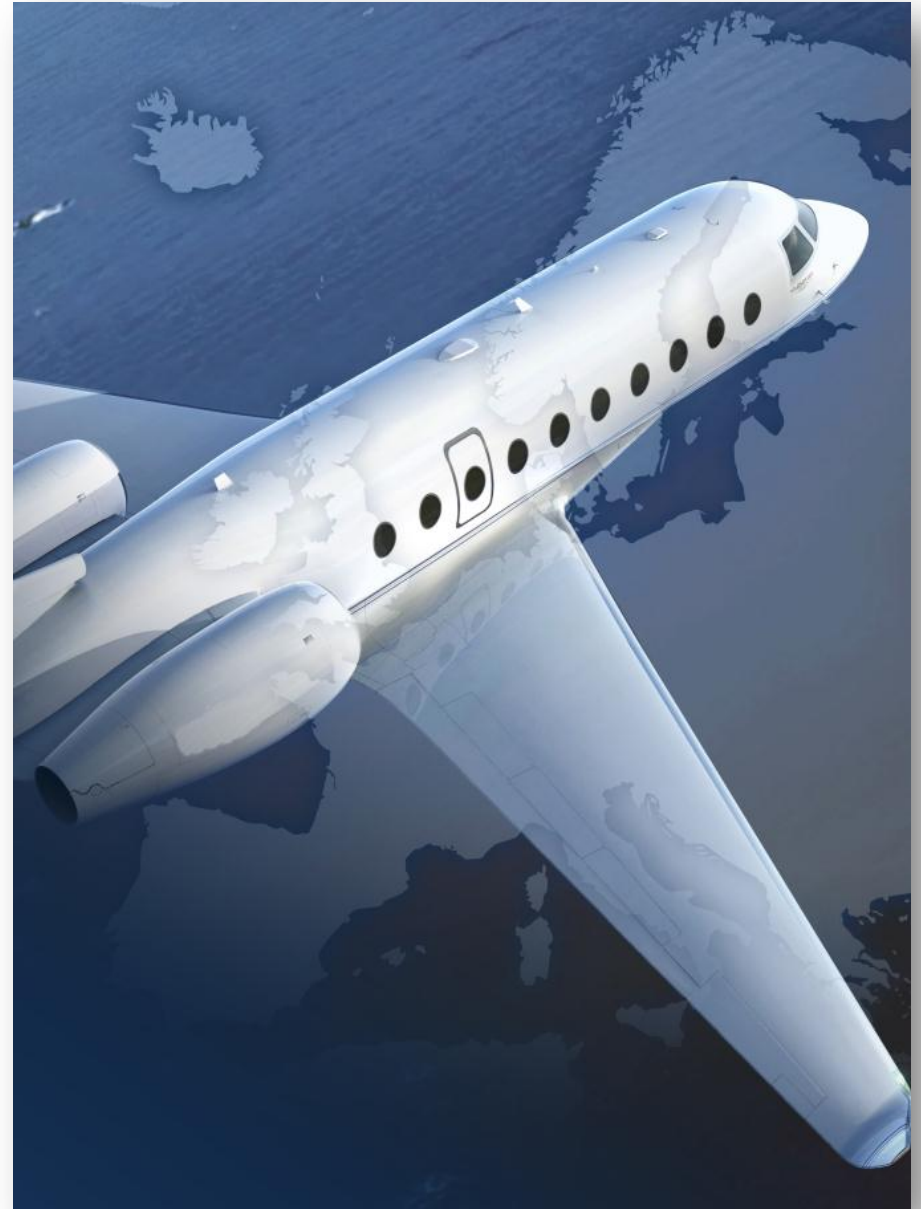
PWC Report



## **But Times have Changed since 2007 - Need to Update and Re-deliver the Message to those that Matter**

Study let by EBAA with Oxford Economics in 2012 to:

- Quantify and understand the benefits that the business aviation sector brings to the European economy - building on previous work by PwC - but this time to:
  - Examine how the sector complements the scheduled network
  - Focus on the impact of business aviation on local economies, with a focus on clusters of expertise, skills and investment



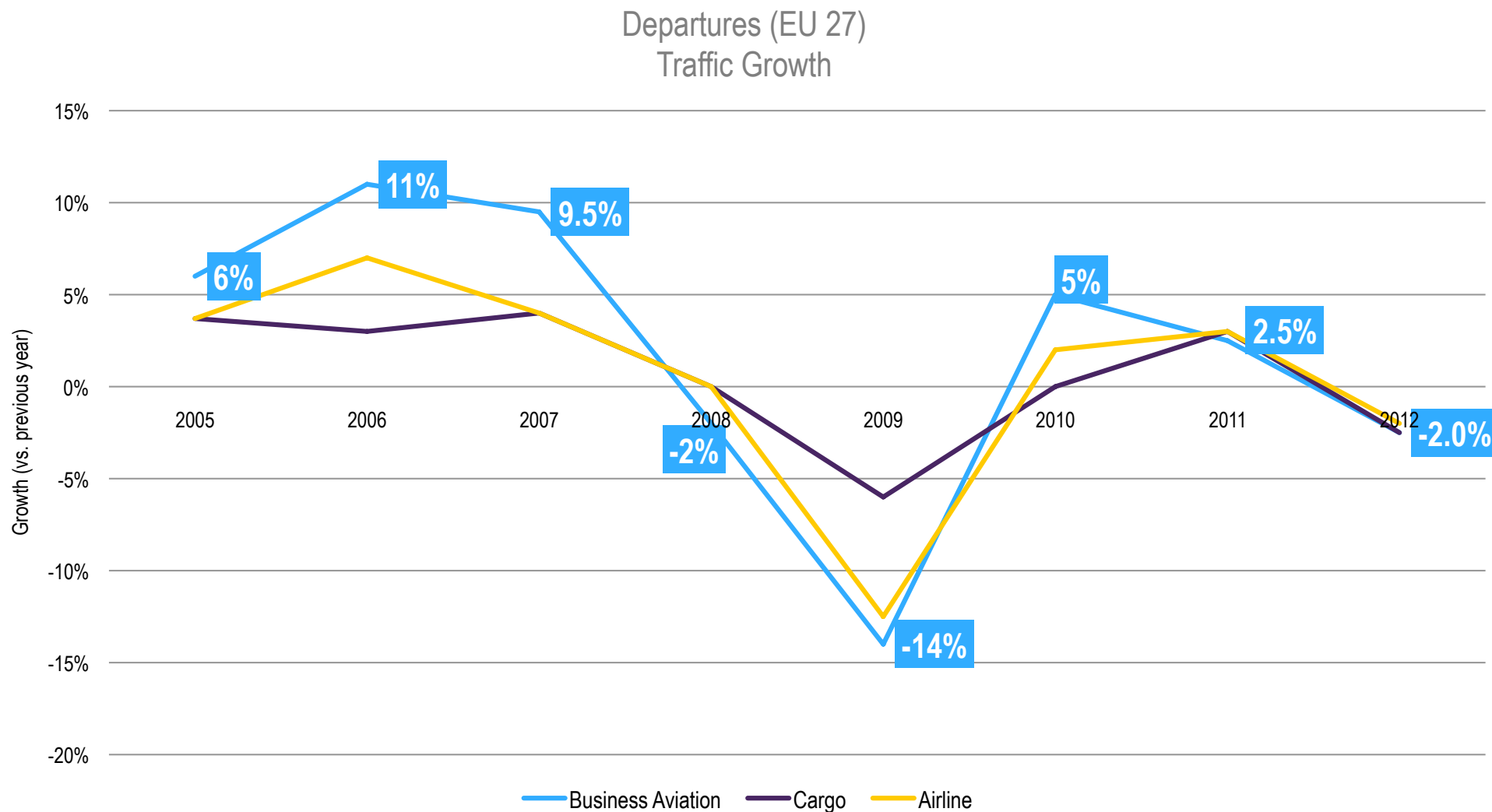


# STATE OF THE INDUSTRY

Is the worst behind us now?



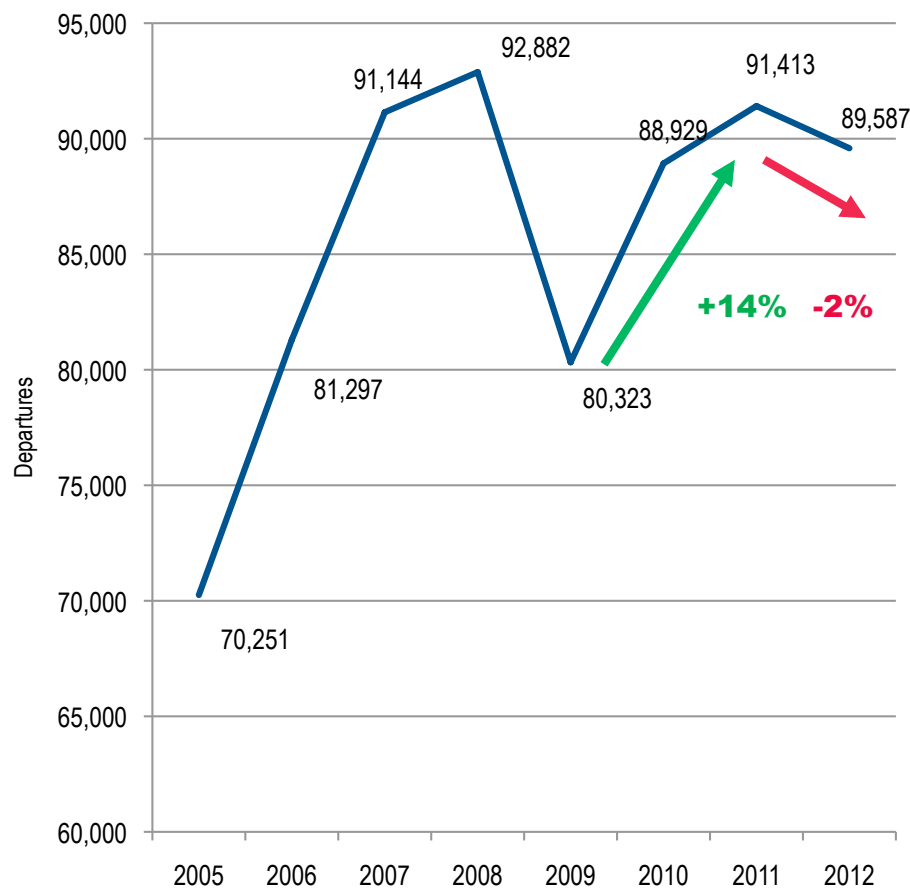
## BUSAV TRAFFIC ALIGNED WITH OTHER AIRCRAFT SEGMENTS



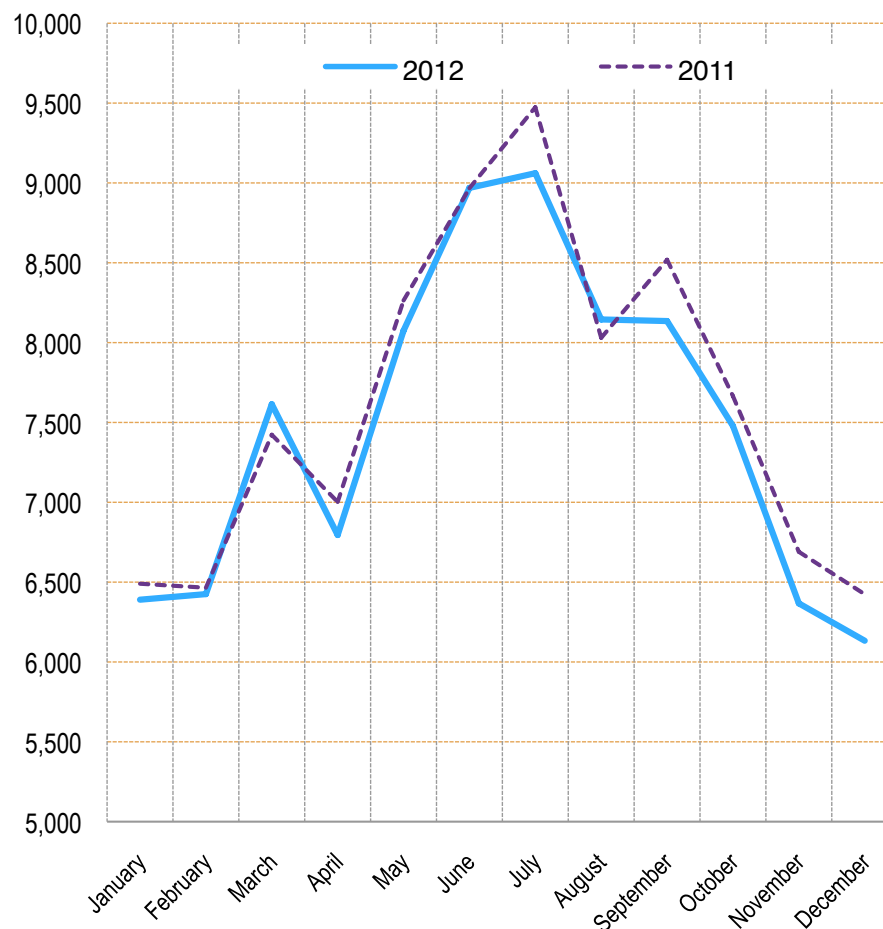


# BLIP OR NEW NORMAL? FIVE YEARS OF ACTIVITY GAINS WIPED AWAY

EU-27 Departures  
Yearly

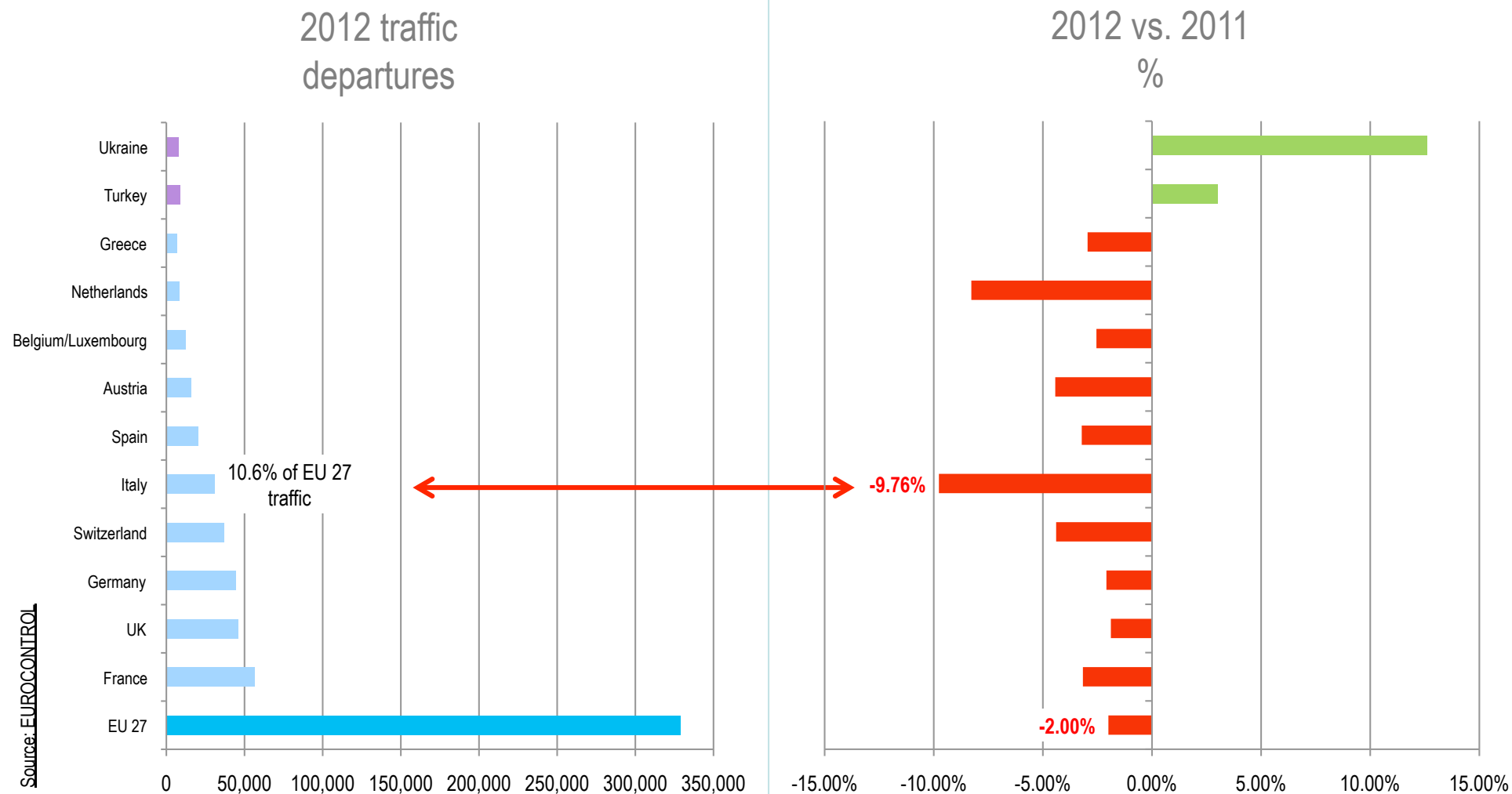


EU-27 Departures  
Monthly





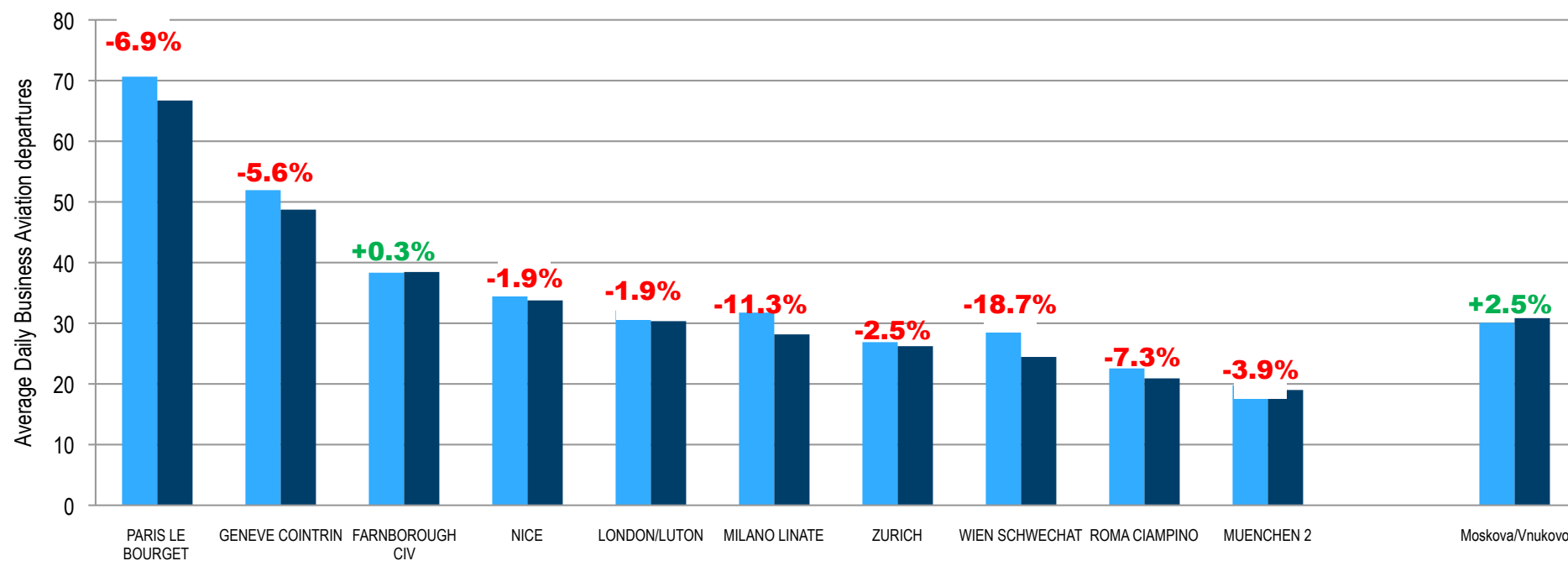
## EU HIT HARDER THAN NEIGHBOURING COUNTRIES



# TOP BUSAV AIRPORTS FEEL THE IMPACT OF DWINDLING ACTIVITY

Top 10 Business Aviation Airports  
2012 vs. 2011

■ 2011 ■ 2012



2012	1	2	3	4	5	6	7	8	9	10	RKG
2011	1	2	3	4	5	6	8	7	9	10	
	➔	➔	➔	➔	➔	➔	⬆ (+1)	⬇ (-1)	➔	➔	

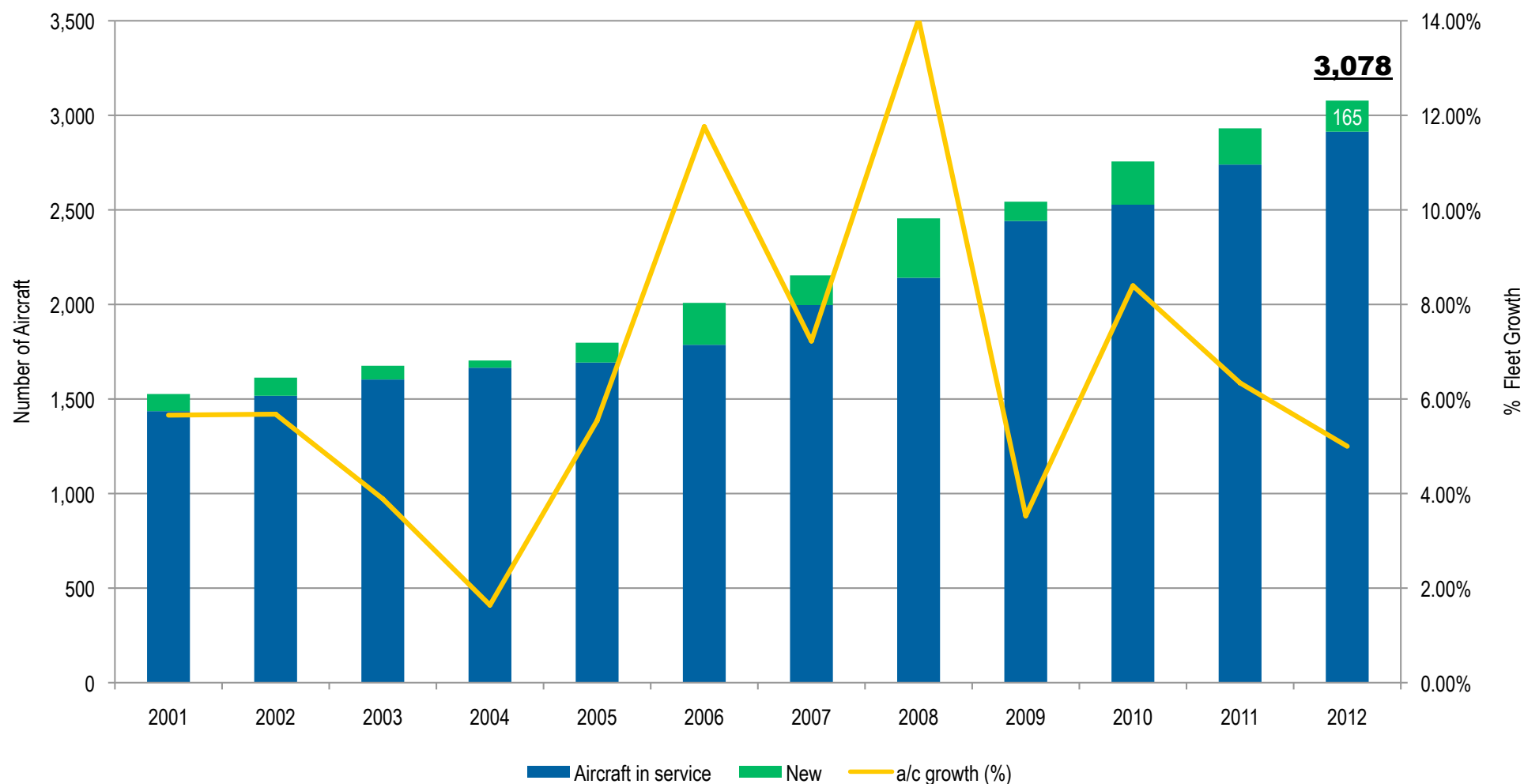






## NEVERTHELESS EU FLEET CONTINUES TO GROW...

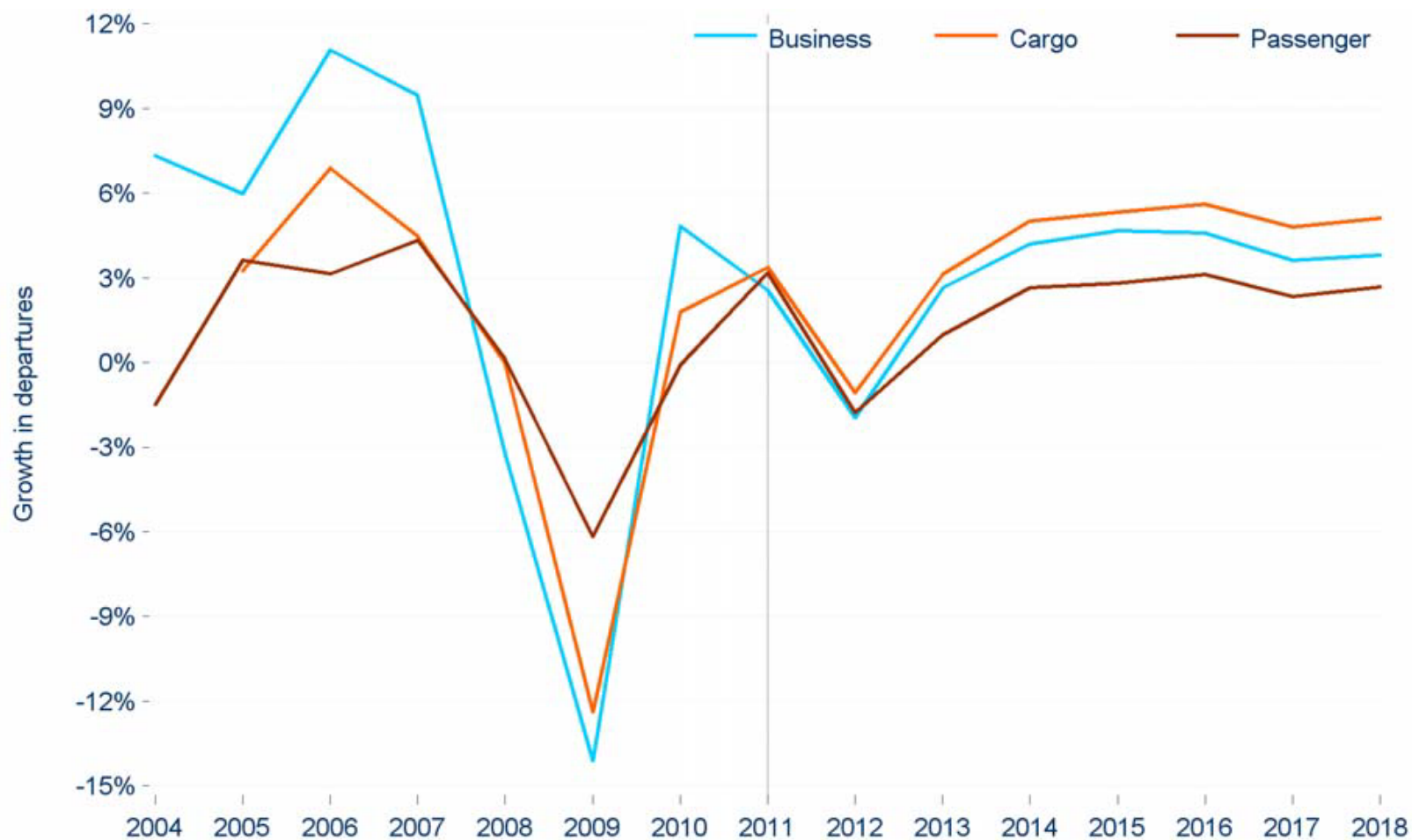
European BusAv Turboprops and Jets Fleet Evolution



Source: EUROCONTROL/EBAA



## ONLY MODERATE TRAFFIC GROWTH ANTICIPATED FOR FORESEEABLE FUTURE



# Business Aviation in the European Economy



- Even through the economic crisis the business aviation network has continued to widen, reaching 88,000 airport pairs by 2011.
- In 2011, there were over 1,400 flights between Europe and India using business aviation.
- Over a quarter of on major operator's revenues in 2011 were derived from multiple destination itineraries as opposed to one way or return trips.
- 80% of business aviation users are business executives.



# BusAv Role in Europe

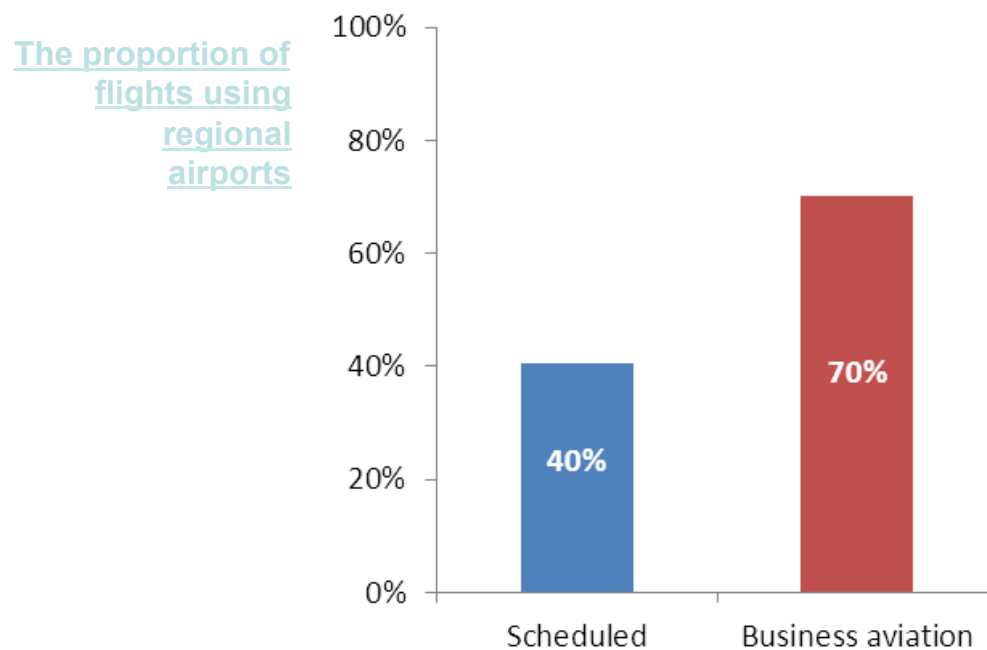
## *Business aviation*

- is a crucial part of the European transport network
- is a diverse but distinct sector
  - a typical business aviation user places a value on business aviation flights that is between eight and fifteen times higher than the comparable scheduled trip
- complements the scheduled network
- benefits local economies
- is crucial to European economic recovery

# Business Aviation in the European Ec



## Business Aviation is concentrated at regional airports



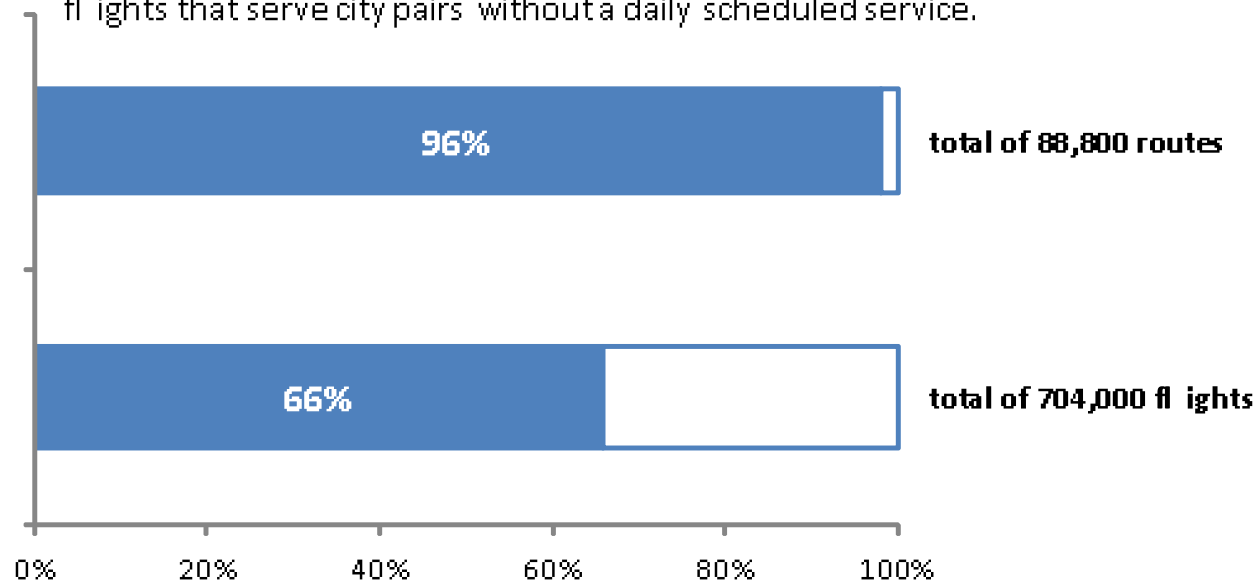
Source: Eurocontrol, 2011

70% of business aviation flights take off and land at airports handling fewer than 100 departures per day.

# Business Aviation in the European Economic Area

## Business Aviation complements the scheduled network

The blue shaded part to each bar shows the proportion of routes and flights that serve city pairs without a daily scheduled service.



Source: Eurocontrol, 2011

66% - the proportion of business aviation flights in 2011 that served city pairs with NO daily scheduled connection.



# Business Aviation in the European Economic Area

This relative value of time captures how much users are willing-to-pay for the much greater flexibility offered by business aviation.

We might expect this higher relative valuation to be reflected in the average price (yield) for business aviation and scheduled business flights.

We estimated an “adjusted yield” for business aviation by dividing total revenue by total passenger kilometres. Using data from IATA, we did likewise for scheduled business flights. The adjusted yield was

- around €4 per passenger kilometre for business aviation
- 43 cents per passenger kilometre for scheduled business flights

The ratio of the two adjusted yields is around nine. (Similar to the ratio of value of time.)

These estimates imply that whereas business aviation accounts for

- under 1% of business passenger kilometres flown.
- It's market share of the overall aviation business market is close to 9%.

- Airports with business aviation connections benefit local economies in a number of ways
- From local employment - the majority of employees live within a ten mile radius (TAG Farnborough)...
- and from additional investment at the airport. Examples include
  - £100m at TAG Farnborough since 2002
  - €10-15 million by PrivatAir at Geneva-Cointrin over the past decade
  - €70 million at Paris Le Bourget since 2004...
  - ...and a further €120million expected over the next decade.

# The Value of BusAv - It All Adds Up

**96%**

proportion of city pairs  
served by business aviation  
in 2011 WITHOUT scheduled  
connection

**70%**

proportion of business aviation  
flights take off and land at airports  
handling fewer than 100 departures  
per day

**GDP x 2**

expected medium-term growth rate for business aviation  
demand at Paris-Le Bourget



# The Value of BusAv - It All Adds Up

**66%**

proportion of corporate decision makers regarding face-to-face meetings as critical to success

*Up to*  
**25%**

of operator revenues are derived from multiple destination journeys

**164,000**

persons employed in business aviation around Europe

**€9bn**

value of business aviation aircraft manufacturing

## Business Aviation Is...

- A vital tool not a luxury
- An additional travel option not in competition with the airlines
- An economic enabler for national and regional Economies
- A creator of Value, Jobs and Wages on a scale comparable with other major industries such as the telecom manufacturing industry
- Sustainable and at the very heart of economic activity
- In need of fair and equitable access to airspace and airports

The ***Right Tool*** for Challenging Times



***THANK YOU***