

THE OUTLOOK FOR 2009

The CEO of Leading Edge Aviation Solutions encourages us to think globally — and sell locally. BY JOE CARFAGNA

Some months ago, most in the industry noticed corporate jet sales in this country starting to slow. At the time, we gazed across the ocean and saw a market that was still relatively robust, and said to ourselves, "It's time to shift our focus to Europe and Asia."

Soon thereafter, U.S. markets tumbled. Alarm bells were ringing so loudly from across the Hudson River I thought I could hear them at my office in suburban New Jersey. The bad news continued. In our industry, new aircraft orders were canceled, the tide of used jets for sale continued to rise, and flight-department managers everywhere entered a heightened state of anxiety.

Now, let's go back to that global market that was supposed to be more stable. Only a short while ago, Russians were paying premiums for new or like-new jets, but suddenly the new Russian oligarchy's net worth has gone into freefall, and their purchasing has nearly come to a halt. The European market for corporate jets, meanwhile, now appears to be in the same quandary as the U.S. market. As for the Middle East, even with all of those petrodollars flying around, Kuwait's stock exchange has plummeted along with the price of oil.

Speaking of oil, I recently had the opportunity to hear an economist deliver a talk on that topic. One of his major points was that more than 20 countries in the world — including Iran, Venezuela and Indonesia — subsidize fuel and food for their populations with petrodollars. As the world economy slows, demand for oil will decrease. This creates a problem for those countries, because continuing to subsidize staples will become outrageously expensive. On the other hand, should they ever default on those promises, political unrest will surely follow.

Amid all this doom and gloom, is there a light at the end of the tunnel? I foresee slow going into the first quarter of 2009. The U.S. will adjust to President Obama; the effect of global government stimulus packages will begin to be felt; and the world financial community should start to head in a new direction. This direction will probably not become clear until about the second quarter of the year, but I feel it will be a positive shift.

Premiums are already all out of the corporate-jet market for both new and used aircraft. We will be back to a market, which, with regard to pricing, could be called "normal" by late 2009. Oil prices are a wild card. If a per-barrel price of around \$65 or \$70 this holds, we can certainly plan. We'll need to do some belt-tightening at home and, without question, keep our eye on what's happening globally — but that light at the end of the tunnel, I can comfortably say, is not an oncoming train.

