

# The 6 challenges facing business aviation in 2023

Time to look forward...



Martyn Fiddler Aviation

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Talent, Sanctions, Downturn, Technology,  
Sustainable Energy and Social Media



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# The 6 challenges facing business aviation in 2023

**2022 was the year where business aviation buckled up and got back in the air; we all got to meet face-to-face again after two tough pandemic years.**

The team at Martyn Fiddler Aviation were delighted to meet our many clients from around the world face-to-face, both at conferences internationally as well as during a wonderful few days at the Isle of Man Aviation Conference in June.

Over the course of 2022, we discovered there were several recurring themes in our industry. The Martyn Fiddler Aviation team wanted to share these insights to help in setting out your plans for 2023, or alternatively, to start a conversation on the world of business aviation and the future.

The Six Challenges Facing Business Aviation reflects the trends and insights that emerged from our conversations with clients, colleagues, and partners in the industry.

Important questions for 2023:

- How will staff shortages impact supply chain?
- What impact will the impending economic downturn have on business aviation?
- How will the industry handle the continuing impact of sanctions?
- Can business aviation prioritise sustainability?
- Is it possible for the industry to reposition itself as a serious business instrument in public eyes?
- What impact will technology have on business aviation?

In the coming months, we hope you'll be able to consider these questions when creating your 2023 business plans. Moreover, we hope to continue these discussions with you face-to-face at the Isle of Man Aviation Conference in Douglas, Isle of Man, on 21 June 2023.

In the interim, I hope that the Six Challenges Facing Business Aviation will establish the tone and context for our conversations when we meet next.

*The Martyn Fiddler Aviation team.*



## Challenge #1:

# The (*real*) war for talent

In 1998, McKinsey coined the phrase the ‘war for talent’. It has since become a platitude that is rolled out at the drop of a hat whenever any employer claims not to have access to the staff trained on the latest hip technology. For once, a trite platitude has a grain of truth in it. **Increasing retirements, changing demographics, and rising demands for skilled technicians and workers has created a perfect storm for business aviation.**

**Recruitment poses a significant challenge; how to attract the new workforce – generation Z. Generation Z are frustrated that employers often pay mere lip service to issues like mental health support, pay equity, corporate responsibility, and diversity.**

Forbes interviewed several CEOs about the challenges facing employers and found some leaders find Gen Z staff members terrifying.

One CEO commented:

***“Gen Z live and shop their values. They don’t hesitate on calling you out when you are wrong or culturally tone-deaf. They think they know more than you do—and in this new digital-first world, they do.”***

For business aviation, the employment challenge also faces the negative press. Business aviation is the bete noir for many an online activist. At CJI Miami 2022, it was highlighted that a recent survey of those likely to recommend a career in aviation found there were many detractors from inside business aviation, and especially in Europe.

### What can or should business aviation do?

The starting point is to stop fault-finding and focus on action; the industry needs to focus on both recruitment and retention, whilst recognising that these are two separate activities.

Marc Bailey, CEO at the BBGA noted:

***“both recruitment and retention are important, but they are different issues. With retention, the demographics of some areas in aviation are skewed to the over 55s and because pensions were structured differently in the past, that age group can retire early. The ideal is to keep them interested in staying, for both their direct skills and more importantly to pass those skills on to the next generation.”***

Let’s start with recruitment. Firstly, the industry should put its best foot forward. The reality is that a career in business aviation is a lot better than most commercial equivalent roles. Business aviation is a passionate and close-knit community who have built their knowledge and skills from hands on experience rather than cookie cutter airline checklists.

Then retention; we must ensure those who remain in the business aviation industry are properly compensated and entice them with training future generations. Until there are dedicated business aviation schools and textbooks, the experience and knowhow are invaluable tools for the future.

Finally, let’s not be our own worst enemy and act as the trojan horse of detractors to our own industry.

## Challenge #2:

# Coping with the downturn

The headlines are already filled with skyrocketing inflation. Many economies will stagnate or shrink, and business aviation needs to prepare for that reality.

Managing Director of the WingX global tracker, Richard Koe said in November 2022:

***“We have seen almost six consecutive months of falling bizjet flight activity in 2022 compared to 2021, taking demand well off the peaks of the covid rebound, although the market still has a substantial gain versus pre-covid 2019. Directionally, Europe is seeing weakest trends, with the US steady although charter demand is ebbing, whilst Middle East and Asia still have strong growth compared to 2021.”***

Despite the depressing economic outlook and predicated fall in flight activity, some businesses remain optimistic about the industry weathering the upcoming storm. In part optimism follows the Covid-19 pandemic highlighting the value of business aviation in respect of safety, flexibility, and productivity to first time business aircraft owners (which were at all-time highs during 2021 and 2022). Another view is the users of business aircraft are primarily large corporates who typically have a larger financial cushion to fall back on, as well as access to better resources and opportunities. However, they are still affected due to a number of factors, including stock market declines, reduced bonus payments, and layoffs.

While business aviation activity may have increased during 2021 and 2022, so has pressure from environmental groups, activists and politicians. The introduction of luxury taxes in Italy and Canada (aimed at taxing aircraft, passenger vehicles and yachts) are likely just the beginning of new taxes, regulations and penalties targeting business aircraft as the pressure builds.

The dizzying price of aircraft and rapid transaction closings of 2022 could also hurt business aviation going into a recession. Many aircraft owners rapidly sold aircraft at a profit during the year but were unable to find a replacement due to the same low inventory levels which provided them with their profit. At the same time, many first-time buyers have purchased aircraft at high cost and in rapid time scales, often with scant pre-purchase checks and transactional structuring. 2023 could well see aircraft owners succumbing to activist pressure, not replacing aircraft and turning to charter, equally some first-time buyers could find their ‘quick buy’ has turned into a long-term headache.



Entering into a period of recession is nothing new for business aviation having already experienced economic downturns in 2008 and 2020. It is arguable however that the industry escaped much of the impact of those recessions in comparison to others. **The challenge for business aviation will be to use the lessons it has learnt over the last 15 years and, in the words of Jerome Powell, the chairman of the Federal Reserve, to “land the plane softly”.**

## Challenge #3:

# Fuels of the future

The challenge for business aviation is not just to have a proactive and understood story – but a plan around decarbonisation and the future. While progress is being made, SAF production is increasing and platforms like ‘book and claim’ make SAF more accessible, much of the narrative is reactive and passes the buck rather than taking ownership. The reality is that further harm will be done to the environment before truly sustainable aviation options become available; business and general aviation are at the forefront of making these technology and innovations possible and we must own this narrative.

Patrick Edmond, Managing Director of Altair Advisory and an expert in the world of aviation sustainability wrote – somewhat provocatively – in 2022 about **‘how the aviation industry is in danger of making itself the new Big Tobacco, and finding its advertising or its growth restricted by regulators, if it doesn’t take decarbonisation more seriously’**.



Patrick pointed to the remarks of Augustin de Romanet, the CEO of Groupe ADP, the operator of Orly and CDG airports in Paris, and about 20 other airports worldwide. He said:

- ✎ Emissions reduction should come before traffic growth
- ✎ Long-haul short-break leisure travel is not reasonable
- ✎ If the trajectory doesn’t change, it is conceivable that we’ll see “flight quotas”

KLM too is raising concerns about the unsustainable nature of commercial aviation’s current growth path and has started providing passengers the option of travelling by high-speed train for short haul flights with a possible permanent replacement of the flight in the future. Unfortunately, many leaders in both commercial and business aviation are choosing to put their head in the sand rather than be proactive in their approach.




Patrick characterises this fantasy attitude as:

***“let’s keep growing as fast as we want, and we’ll bet on sustainable aviation fuel and technology and carbon offsets to allow us to reach net zero by 2050.”***

While there is continuing speculation about new fuel technologies and the electrification of aircraft, Patrick believes that SAF (sustainable aviation fuel) is going to be enormously important in reducing aviation’s emissions in the short term. However, he does believe the commercial aviation industry’s overall assumptions for continued traffic growth are going to survive the next few years. It will therefore be for business aviation to continue to shoulder the burden of the costs and development for SAF in the short to medium term until suitable alternatives are available.

The reality of business aviation turning to SAF as a primary fuel is that the costs of flying will go up:

- ✎ SAF is made from advanced biofuels and electro-fuels, both of which are significantly more expensive than kerosene.

-  SAF emits at least as much CO2 as kerosene – any greenhouse gas savings come in the production stage.
-  Under EU plans, carbon allowances would be scrapped, forcing aircraft to pay more to emit.
-  The EU is also breaking with decades of tradition and planning to place a tax on kerosene for intra-EU flights.

## Challenge #4:

# Activism on social media

While it is always frustrating, it is not unusual for business aviation to attract negative media attention in the national and international press. Recently however the industry is coming under increasing scrutiny from social media. Many may not care too much about Twitter – and may not even use it- however, it is the weapon of choice for online activists with an axe to grind.

It is often surprising to learn that Twitter is not in the top 10 of social media networks and has the smallest footprint of any social media network in comparison with its influence. Why is this? Because journalists are on Twitter. The collapse in the size of newsroom and the lack of resources given to journalists means that Twitter is their news source of choice – as a replacement for any ‘real’ research.

Once you combine journalists with clever techies who know how to use APIs and game Twitter’s algorithms, a situation arises whereby just three Twitter handles about business jet aviation usage can gather have over 1m followers. And all of these tweets are automated.

Here are just three examples:

**@ElonJet** tracks Elon Musk’s Private Jet (N628TS) with a bot = **500,000 followers**

**@CelebJets** tracks flights by the likes of Kylie Jenner and Jay-Z = **127,000 followers**

**@RUOligarchJets** tracks flights by the likes of Alisher Usmanov, Roman Abramovich and Leonard Blavatnik = **383,100 followers**

## What can or should business aviation do?

Tackling social media activists or journalists head on is not to be recommended – often this can lead to more harm than good by industry members responding emotionally on a platform which is visible to all. A reminder of the problems of using social media came after the Schiphol protests in November 2022; posts from business aviation commentators on LinkedIn were taken as direct quotes from the industry by leading newspapers and media outlets. While the authors of the posts most likely did not think this would happen at the time of writing, this is the danger of the digital age.

Rather than letting the media or activist groups lead business aviation in reactive messaging, business aviation needs to lead and write its own narrative about its relevance and importance to the future of aviation. This is crucial challenge to the industry that will require brave messaging and co-ordination. So, what should business aviation do?

1. Be willing and able to communicate the strategic value of business aviation to the community, prospective users, and passengers.
2. Emphasise the benefit of business aviation as a whole industry. This starts with knowing the numbers. When the opportunity arises to discuss business aviation or dispel a misconception about the industry, be armed with persuasive statistics.
3. Use the NBAA’s example of New Jersey’s Teterboro Airport, one of the leading US East Coast business aviation destinations, supports 15,000 jobs and supports more than \$2 billion in annual sales activity. We must create exact numbers and statistics for airports in our own communities.

## Challenge #5:

# Crime, sanctions & politics

A standout statement from a business aviation conference in November 2022:

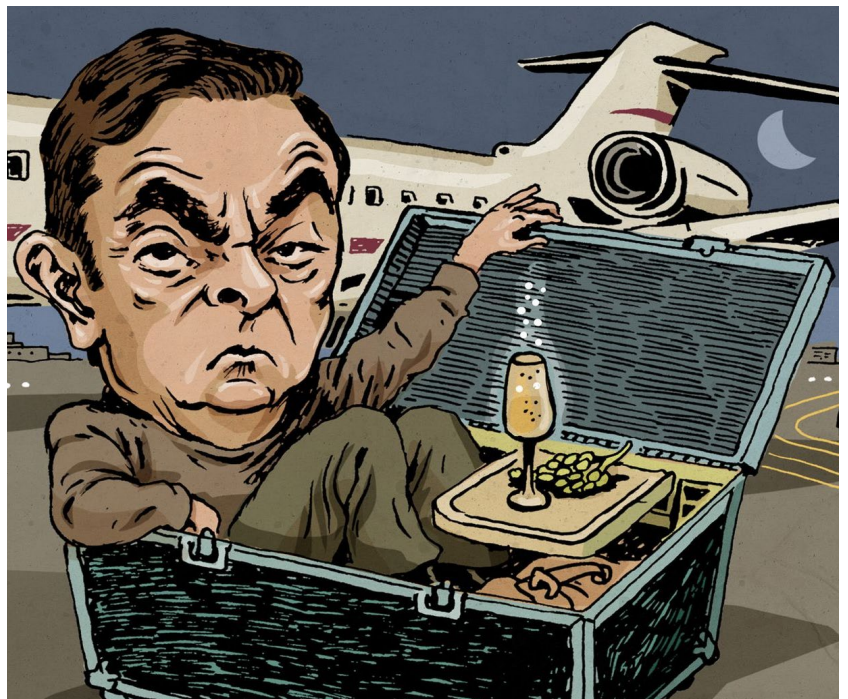
***“time kills deals, indictments kill deals”***

In the same month, the United States Secretary of State, Antony Blinken, issued a press release targeting Russia’s global military procurement network and Kremlin-linked networks.

Within the press statement were mentions of Malta and Russia-based aircraft management company Emperor Aviation Ltd, which Blinken says has coordinated luxury travel for Kerimov’s immediate family even after Russia launched its full-scale invasion of Ukraine. They also identified as blocked property eight luxury aircraft operated by Emperor Aviation.

In response to Moscow’s unprovoked war against Ukraine, the United States has been very specific about imposing high costs on President Putin’s enablers. The press release from Secretary of State Blinken is awfully specific in saying **‘Businesses worldwide are advised to do their due diligence in order to avoid being targeted for sanctions.’**

It is not just knowing who you are doing business with, but also who or what is on board the aircraft. In late December 2019 Carlos Ghosn was smuggled through security at Kansai International Airport in an audio-equipment box, and then loaded onto a private jet bound for Istanbul. In September 2022 there were multiple arrests for smuggling migrants into Europe by private aircraft. Each year there are reports about private jets being used as part of drug rings globally.



### What can or should business aviation do?

Not getting involved with the enablers of terror and crime is the moral starting point. But to do this, business aviation must make sure that the basics are in place:

1. Examine the individuals and corporate entities involved in a transaction together with any influencing factors.
2. Look at the flight records especially when sanctions are at play; it is vital to know who has been involved and is flying on an aircraft.
3. Consider the possible reputational damage that could arise after the transaction has closed.
4. Brokers or transactional parties should alert their clients if there is a high-risk client and therefore more time will be needed to collect the information and perform risk assessments.
5. Look closely at the supply chain.
6. Never be in a rush to close: uncovering facts after closing could mean reputational and legal disaster. Slowing down a business opportunity may kill a deal, but so does time in jail!



## Challenge #6:

# Investing in innovation

It is well known that flight innovation starts with general and business aviation before it expands to the commercial airline market. As the drive to make aviation more sustainable increases, in particular a desire to find alternative fuel and power sources, new technology development in the aviation sector is at an all-time high.

Investment into new aircraft technology is also becoming an alternative to 'carbon offset'; **EasyJet announced in September 2022 it will end its carbon offsetting scheme to focus on investing in new technologies to cut emissions.** However, investment has both risk and opportunity as news outlet Flight Global notes

***“whoever masters these new technologies stands to reap the financial rewards; on the flip side, however, the companies or countries that specialise in disciplines which stand to be fundamentally changed are in danger of losing their leadership position.”***

As an example, in March 2022, the Aerospace Technology Institute concluded the UK's specialisms – airframes, wings, fuel systems, thermal management, and turbine engines – are among those likely to be most affected by a potential switch to liquid hydrogen as a fuel. “All these elements would need to be redesigned for a hydrogen aircraft, presenting the UK with both a threat and an opportunity,” it says. “If the UK acts ahead or alongside other nations, it can lead the development of new technologies where it is currently strong and secure a greater share of activity.”



Another challenge facing both investors and investees is time. Before any new technology can be used it must go through rigorous testing and normally achieve three core aviation regulatory approvals: type certification, production certification, and operational authorities. Testing and certification processes take time and government regulators are not working to the same timescales as investors wanting to make a return, or the technology companies needing continued investment.

Perhaps a more short term challenge to new investments in technology will be a looming recession, enhanced video communications, and remote working. The desire to get back to face to face meetings during 2022 may fade during 2023 as the past few years have shown how 1-2-1 communications could operate differently. The underlying goal of people using business aviation tools is communication, relationships, and experiences. Starlink – and some other new technologies that are not primetime today could deliver at least communication and relationships with quicker return on investment. Could business aviation face its own 'Kodak' moment?

Flying cars, hydrogen propulsion engines and pilotless aircraft are all possibilities for the future of aviation. A challenge for 2023 will be to show delivery on the investment for the near-term future while continuing development of aviation technology for the long-term future.

# Conclusion

Talent shortages, the fallout from staggering inflation and the pressure from social media will make 2023 a tough year for business aviation.

The time has come to confront new realities. Business aviation is truly post-pandemic and moving forward requires the industry to start severing ties with ideas or cherished beliefs ingrained from a pre-pandemic era.

At Martyn Fiddler Aviation, we recommend the adoption of a flexible mindset. Business aviation can begin to develop a newer, more agile mentality by adopting a flexible mentality.

Now it is time to rapidly form and implement new, more sophisticated business aviation strategies – rather than play catch-up and potentially face a Kodak moment. The industry needs to reorient its thinking and begin by asking the one question that encapsulates the 2023 challenges: is business aviation prepared for the new world landscape?

If you have any questions, please contact [heather.gordon@martynfiddler.com](mailto:heather.gordon@martynfiddler.com)

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