State of the industry:

Business aviation in 2024

Martyn Fiddler Aviation

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The Climate Revolution, Supply Chain, Zero -Based Thinking, Second Order Effects, Industry Consolidation, Sustainability.

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2024: Everything Everywhere All at Once

Martyn Fiddler Aviation continuously examines the challenges facing our industry.

We hear recurring themes across the industry, and we want to share these insights to help set your plans for 2024, or alternatively to start a conversation on the world of business aviation and its long-term future.

Our world is balancing on the edge of transformation. Our industry will experience the ripple effects of climate change, technology, supply chain and sustainability pressures and a host of other challenges. It's all coming together – we can truly label it as 'Everything Everywhere All At Once'!

The state of the industry review reflect the trends and insights that emerged from our conversations with clients, colleagues and partners in the industry around the world face-to-face. Of course, there are many others – and we hope to continue these discussions with you at the Isle of Man Aviation Conference, in Port Erin on 26 June 2024.

However, there is one thing the team would like to mention – something that is sorely lacking in the world – and it's about just one word: confidence.

Ian Robertson, Professor of Psychology at Trinity College, Dublin and founding Director of Trinity College Institute of Neuroscience has written a wonderful book called "How Confidence Works".

There are some telling phrases within the book that speak to us all; we have selected three of them:

- *"The future is uncertain. Confidence is a mental stance towards the future that defies this uncertainty by betting on success."*
- *"Confidence creates the future because it is grounded in action."*
- *"Confidence, then, is the words you say to yourself, in part. And given that we can choose what we say to ourselves, we can, to some extent, control our level of confidence."*

Robertson also say that ***"the human mind is a prediction machine, orchestrating its activities according to what it expects to happen in the future."*** This is how the industry should face the future – with confidence – as the alternative is not going to help.

We at Martyn Fiddler Aviation think we should use this ingenious prediction device called simple "confidence" to survive and flourish in 2024.

The Martyn Fiddler Aviation team.

The climate revolution

'Who Moved My Cheese' was written by Dr Spenser Johnson in 1998 to describe the different ways one reacts to major changes in their work and life. Reactions to messages in the book – namely to accept, adapt and to anticipate change – were mixed, however, it did have one key phrase which is relevant today: *"if you do not change, you can become extinct".*

The climate revolution is upon us and the momentum cannot be stopped.

We may sympathise with protests crying out for genuine action to be taken. However, the targeting of business aviation by climate activists, the press and politicians can often feel unfair.

The reality is that the world always needs someone or something to blame: humans need a scapegoat. Business aviation is the scapegoat du jour.

Yes, we can say that accusations against business aviation are based more on perceived privilege rather than factual reality of the environmental impact. Complaining of unfairness never helps and won't win any friends.

As with every revolution, the seeds of counter revolution are also sewn. The ESG investment backlash from many US Republicans and investment bankers was predictable as the inherent contradictions in ESG investment showed that the emperor had no clothes.

The mixed messaging and lack of strength from an oil focused COP28, and the political flip-flopping of making climate commitments to gain popularity, then withdrawing in favour of economic growth and national interest did not need a crystal ball to predict.

Maintaining the status quo either because it is 'too difficult' to change or too financially rewarding is not an option. The science is undeniably clear – change must happen to save the planet. And we as an must embrace change in our attitude or face a clampdown on our license to operate as an industry.

The most viable solution for business aviation is to use core strengths in our arsenal: evolution and adaptability. While the speed of evolution runs much slower to the drum beat of revolution, the ability of business aviation to adapt, change and evolve will be key to survival in a hostile environment.

These core business aviation strengths must be actively communicated and actioned by the aviation industry as a whole to demonstrate unity; something the industry is currently lacking. Despite the efforts of the NBAA through its 'Climbing. Fast.' campaign and EBAA through its media releases and political lobbying, the aviation industry is not working together for a unified message.

Fissures are appearing: commercial aviation looks to business aviation to fund SAF development, national airports want to prevent business aircraft in favour of commercial, political pressure seeks to impose luxury and fuel taxes on business rather than commercial aircraft and so on.

In 2024 political pressure to impose further penalties on business aviation will be ever present due to 30 national elections taking place (including the US, India, the UK and 10 states in Europe).

As a result, the 'quick win' mentality of many politicians is likely to turn a blind eye on to the benefits of business aviation and focus on easy mass votes. The challenge will be for business aviation to stand fast, actively communicate its message and maintain its evolutionary path for a cleaner climate future amongst the revolutionary battlefields.

Supply Chain; the issue that never went away

"You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics." - General Dwight D. Eisenhower

The Suez Canal connects the north Atlantic and northern Indian oceans via the Mediterranean and Red Sea. It was completed in the late 19th century and allows traders to avoid the South Atlantic and southern Indian oceans. Using the Suez, journey time is significantly reduced by 1 to 2 weeks making it one of the arteries of global trade with an estimated 12% of trade ships passing through every year.

Disruption to the Suez Canal is nothing new; two world wars, the cold war and the Suez crisis in the 20th century all saw trade using the shortcut come to a standstill. However, since then, global reliance on trade and supply chains has increased significantly; choke points to major trading routes have an immediate and international impact.

The attacks on ships using the Suez Canal are well publicised. What is less well known is that the UK Government states *"it is first and foremost for businesses to manage their supply chains, with government intervention reserved for those areas where it is necessary, such as in the cases of market failure".*

In other words, military interventions notwithstanding, the UK Government's new strategy – as of 2024 – will only consider critical imports and supply chains; this includes a 'Critical Imports Council' to work with businesses to improve analysis of potential supply chain shocks.

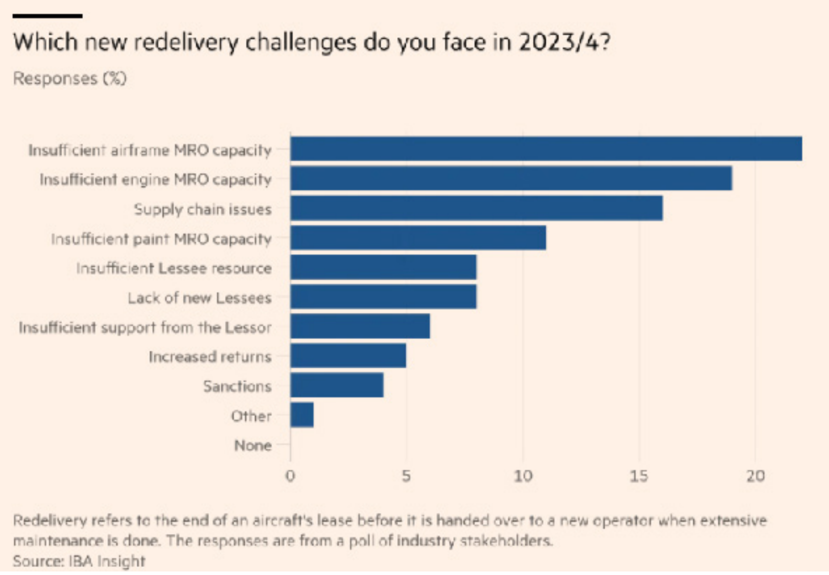
However, this is of cold comfort for businesses who form part of a supply chain. Many suppliers to the business aviation 'machine' are still struggling to recover three years after the global pandemic. *"The people shortage happened in months, the supply recovery is years,"* stated Embraer's Mike Amalfitano at the JetNet iQ Summit, adding *"it takes a long time to recover that skillset across the supply chain."*

How does this all add up? Running an aircraft is 35% more expensive than it was 3 years ago.

Aside from the Suez issues and post-pandemic hangovers, there are other issues with the supply chain squeeze:

- Higher interest rates affect the investment levels that business is prepared to commit to.
- The wider inflationary environment in food, transport and housing which increases cost of labour and services.
- Payment terms are a huge issue for small businesses that are remote not only from the end client, but also geographically. They do not have the same economic or corporate capacity as the bigger players but are being forced into payment terms that can cripple a small business. For example, some large OEM's standard payment terms are 120 days. When coupled with high interest rates, long payment terms may spell doom for businesses further along the supply chain.
- Problems in the supply chain cascade down to the support network: General Aviation Manufacturers Association president and CEO Pete Bunce points out: *"an aircraft operator needs to be serviced and all of a sudden we get word that a first-tier supplier can't provide an essential engine or avionics on time because they can't get parts, so they may have to take parts off the production line and give them to the aftermarket line to be able to fix it."*
- Capacity is not where it was pre-Covid. Pre-Covid, if a part could not be repaired, a new part would be purchased and installed. This is now difficult with a reduced spare parts inventory.

Another way of thinking about the problem comes from MIT Professor Jonathan Byrnes writes: *"Many supply chains are perfectly suited to the needs that the business had 20 years ago."*



The good news is that demand for aircraft parts and maintenance in both business and commercial aviation has rarely been higher. This demand is due to low aircraft inventory and OEM's struggling to ramp up new aircraft production.

The Financial Times survey of commercial aircraft stakeholders clearly shows that MRO capacity and supply chain issues are the key concerns for redelivery of aircraft.

The challenges to business aviation are strikingly like those in commercial aviation, but there is the added complexity of the support network which feeds the day-to-day operations of business aircraft.

A speaker at CJI Miami 2023 neatly described this as a *"cycle of operational gymnastics"* and explained, *"yes, demand throughout the parts and maintenance supply chain was high, but the issues with labour, raw materials, logistics and increasing costs made it a game of 'whack a mole' for many".*

What can be done about these challenges?

- Labour is the biggest challenge: the industry must focus on getting quality staff as well as retention.
- Plan for a capital structure based around the reality that the current interest rate regime will continue for 3-5 years.
- Smaller suppliers should push back on payment terms which do not work from a revenue perspective (e.g. 120 payment terms) and have a reasonable conversation with big clients regarding share success.
- The supply chain needs to adapt worldwide to ensure the distance of parts and supplies is minimised. Emissions come from the supply chain due to parts being shipped from around the world is increasingly being scrutinised by EU regulators.
- Recognise the opportunity for OEM's and other big players in business aviation to forge more transparent and eco friendly relationships with smaller suppliers.

Beyond 2019; Zero-Based Thinking

ZBB – sounds like an acronym for something in a sci-fi movie. In fact, its stands for 'Zero-Based Budgeting'. Zero-based budgeting (ZBB) is a method of budgeting used by finance directors and CFO's to rebase the organisation as part of an annual planning process.

With ZBB, all costs must be justified for each new period from scratch. For example, if you work in marketing, the base of the marketing budget is zero. This means each year the CFO does not grant you any money unless the marketing director can justify why they need it. Instead of using last year's budget as a starting point and adjusting it for the new period, zero-based budgeting starts from a "zero base".

The key point is 'start from zero'.

ZBB is seen to encourage cost consciousness and eliminate annual budget inflation. Think of the civil servant who has to spend all of their allotted money, even if it isn't necessary, just to ensure they get the same next year!

Business aviation needs its own version of ZBB: ZBT – Zero-Based Thinking. ZBT is one of the most powerful thinking and decision-making tools to use in planning. The process forces you to stand back, to look at every part of your business and ask: *"Knowing what I now know, would I still make the same decision? Would I get involved in this area again?"*

ZBT has two great qualities:

Clarity: It provides clarity on what is and isn't working.

Reduces Sunk Cost Fallacy: Humans often continue on a specific path or use specific knowledge because they have invested time, money, or effort into it, even if it's no longer true or isn't working. Or, worse still, we continue to use it because we are too lazy to update our mental model.

ZBT

ZERO

BASED

THINKING

Zero-Based Thinking clears our 'mental state' and enable us to consider all the possible ways to solve our business and industry challenges. Applying ZBT means we can:

- Think openly to generate broad ideas and activities to cope with the challenges facing business aviation.
- Choose an 'anything is possible' mindset to adopt and not stifle ideas and innovative actions with concerns about practicalities. Indeed, given the issues facing our industry, we must believe that 'anything is possible'.

ZBT can also be useful when conducting industry and market analysis. If we reflect on the business aviation market over the last 3 years, nearly every data set produced draws comparison to 2019, i.e. the year before Covid. In reality, 2019 was a fairly dull year which showed some growth; the industry descriptor of choice at nearly every conference was 'cautious optimism'. Interestingly, the measures of growth in 2019 used 2007 as a base line as this was the year before the 2008 financial crash.

Life after 2019 has not just been affected by the global pandemic. Brexit, war in Ukraine and the Middle East, sanctions, climate crisis, bank failures, global inflation and interest increases are just some of the events which have altered the business conditions of the industry and the way in which we work. With each passing day it is clear that nothing is going to revert back to 2019 conditions and perhaps now is the time to employ ZBT for business aviation going forward. It may force us not just to consider new ideas but also to embrace the changes and seek opportunities from them.

Sure, there will be ideas that need to be further developed and finessed, but we need to develop broad solutions and innovate by looking at other industries before we start any filtering process. Both business aviation as a whole and each business within can challenge themselves to start with ZBT today. Be rigorous with ZBT, as the time for making choices is coming; if we keep comparing ourselves to a past which will never reappear, we face being left behind in it.

Second order effects; impact of a ban

Often, we judge and debate the decisions that impact our lives more than the decisions we make ourselves. Similarly, we often highlight the short-sightedness and agenda-led nature of third-party decisions, but we are guilty of the same with our own decisions.

Making any strategic decision is risky and knowing precisely how it will turn out is impossible. For this reason, the first step of any strategic thinking is to gather information to limit uncertainty and reduce risk. There are no guarantees of success, but it is possible to improve the odds by ensuring decisions are made with as few assumptions as possible. This should not be a surprise: Occam's razor states that when presented with competing hypotheses to solve a problem, one should select the solution with the fewest assumptions.

When working through hypotheses and assumptions, we should always look at the potential implications which may occur. Immediate implications, positive or negative, are the 'first order effects' – our view of the impact our decision will make. But this is where the cracks begin to show. No matter how much we believe to the contrary, we all view the world through subjective lenses. We are psychologically primed to gravitate towards easy-to-understand answers with the speed at which they fit our personal narrative.

A good, albeit controversial, example is the decision by Mayors to reduce the number of vehicles in city centres. This decision is admirable at first glance – the aim is to reduce pollution, decrease noise and increase safety – these are all first order effects. The problem is the second order effects have not been thought through; they've been clouded by subjective judgement. The reality is:

- Footfall in city centres has reduced, causing problems for restaurants, retailers and bars.
- Traffic has moved onto side streets, causing increased pollution as cars are forced to crawl along.
- Residents living in areas that were low traffic now must cope with more pollution and noise.

A parallel example can be drawn in business aviation.

In the fight to address climate change many governments desire easy wins to show commitment and action towards reduction in carbon emissions. Buoyed up by environmentalist groups, many politicians have made proposals to reduce business aviation via increased luxury taxes and reduction in airport slots, or alternatively, to ban business aircraft altogether.

The first order effects are to reduce carbon emissions and decrease noise (albeit the cynical among us may also include winning votes and raising government revenue). But the proposals do not appear to consider the second order effects.

Let's consider the potential secondary effects a ban on all business aircraft would have:

- Business aircraft users will not stop flying because their aircraft are taken away. Users and their entourage will be forced to move to commercial aviation which will increase demand on premium seat capacity. This demand will be to the advantage of commercial airlines as premium seats equal high profit. Economy class seating will in turn be reduced and an increase of scheduled flights for premium only clients will increase. Ultimately there will not be a reduction in flying, merely a shift to commercial which business's will embrace and create a new form of premium flying.
- EBAA estimates over 400,000 people are employed in business aviation in Europe alone and produce €60 billion in annual GDP. This would fall away increasing the rate of unemployment and a create a hole in the purse of many governments.
- Business aviation is a driver for innovation in the aerospace sector; removing it will impact the progression towards more efficient forms of aircraft, engines and cleaner fuels.
- Local airports will suffer as they will be solely reliant on government and commercial airline investment. This will lead to an increase in the closure of local airports which provide a lifeline for remote communities and, in turn, effect local businesses negatively and increase unemployment.

When looking at the global picture, business aviation contributes 0.4% of total global emissions; to put this in perspective aviation as a whole emits 2%, with agriculture at 14% and forestry at 17%. While it is arguable that every little helps in the fight against climate change, it is estimated the Single European Skies (SES) initiative would reduce all aviation emissions across Europe by 10% – yet this initiative has been stalled for over 20 years for political reasons. Would it not be better to enact an initiative which would reduce aircraft emissions by 10% rather than ban business aircraft and only reduce emissions by a fraction while incurring the second order effects above?

It is hard to start the process of imagining the second order effects of the decisions and actions we make. Part of the difficulty is our propensity towards confirmation bias, and our often unconscious way of viewing the world through subjective lenses. We are all unquestionably susceptible to narrative fallacies.

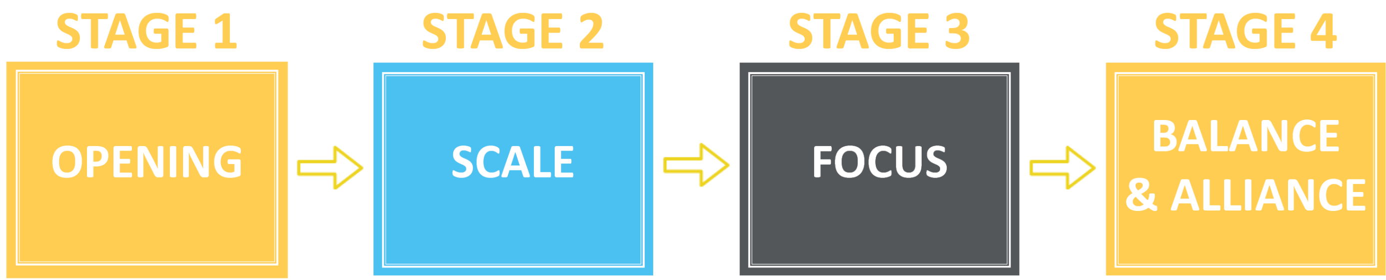
We are also in an age of 'instant gratification' whereby short-term decision-making clouds our ability to think of long-term consequences. The challenge going forward will be to force ourselves (and the governments that impact our livelihoods) to not just use first-order thinking, but to value data over anecdotes, use quantifiable experience over generic advice and critical thinking over alluring promises. In essence business aviation must challenge those that could end our industry to think about the secondary impact their decisions will have in the future.

Merge, consolidate, acquire

Between 1980 and 1999 the US aerospace industry went into merger overdrive; from a starting point of nearly 50 businesses, within 20 years there were just 3 left standing!

All sorts of reasons were given for this mass merge. The real reason was the industry was ripe for consolidation and investors were able to see the value of end-to-end market contact. Investors and business owners looked to purchase or merge with another businesses that could strategically supplement or complement existing operations, allowing them to integrate vertically into the supply chain and gain long-term benefits.

Industry consolidation is not isolated to any specific sector. During 2023, 91 of the 157 primary industries tracked by S&P Global Market Intelligence showed the five largest U.S. companies in each industry share at least 80% of the total revenue produced. Europe also had bumper M&A activity and PWC's '2024 Outlook' predicts further upturn in global deal-making.



It would be irrational to believe that business aviation will not and is not going through the same curve.

Stage one of the consolidation curve is the opening; this is the frontier of industry consolidation in which barriers to entry are generally low and there is sufficient innovation, opportunity, and risk to allow competition to thrive. The stage one environment can often also have elements of near perfect competition in the marketplace.

Investopedia describes perfect competition as *"a concept in microeconomics that describes a market structure controlled entirely by market forces"* and goes on to identify certain criteria for its conditions:

- Identical products sold by businesses.
- An environment in which prices are determined by supply and demand, meaning businesses cannot control the market prices of their products.
- Equal market share between businesses.
- Complete information about prices and products available to all buyers.
- An industry with low or no barriers to entry or exit.

When viewed through the lens of business aviation, it is clear there are market segments which are starting to move through stage one of the consolidation curve, aircraft brokerage being one of them. At CJI Miami 2023, brokers estimated that even the world's largest brokerage business has only a 2.5% of global business share! They felt consolidation was inevitable and would start to create economies of scale.

Other forms of consolidation are already underway within business aviation – and have had their fair share of success and mishap. The incredible 10 year rise of Wheels Up from start-up to third largest in business aviation is as well documented as its subsequent fall into loss, bankruptcy and rescue buyout by Delta in 2023.

One of the factors which changed the fortunes of Wheels Up was the immense programme of acquisitions starting in 2019; as the new CEO, George Mattson explained *"it grew rapidly and did not consolidate".* The plan to bring Wheels up away from the brink will be to use the commercial and business experience of Delta Airlines, which will start with the

reduction of operating licences from 6 down to 1, and to streamline operations by consolidating their offices to a single hub.

The lessons of growing too fast are not restricted to Wheels Up – if a business grows by acquisition it must also consolidate duplicated and redundant functions. As the business aviation industry moves through the consolidation curve here are some of the challenges, both new and existing, which businesses will face:

- If the business strategy from the outset is to grow through acquisition, make sure the most appropriate corporate vehicle is chosen. Ownership structures differ and each have benefits and drawbacks. Equally one jurisdiction may be preferable from another in terms of market opportunities for growth.
- Decide in advance how fast the business is to grow both organically and through acquisition. There will be times when focus on portfolio building takes priority, however, this should be balanced against growing so quickly that customer service suffers.
- Set appropriate KPI's in respect of growth and monitor these closely; reset these if KPI's are not being met. This will provide a more stable ownership experience (both extreme and imperceptible levels of growth can be an un-stabilising factor for business).
- Embrace diversification together with risk planning and tolerance. Expansion into completely new jurisdictions may seem like a great idea until a business is faced with cultural, regulatory and client barriers to entry. Expanding into surrounding service areas may create better stability for the business (and clients) especially in times of economic turbulence.
- Culture: many small businesses act like a family, however, as a business grows there will be a pivotal point where it will need to become a team. Growth requires the business to embrace a continuous improvement programme and focus on client matters, high performance and teamwork. Culture must also be reviewed as the business grows to ensure it has unity in its mission and values.
- Often the most difficult part in growth by acquisition is people and ensuring both the existing and new teams are clear about the business strategy and any efficiencies that need to be made by the acquisition.

Flying into the eye of the storm: Sustainability

"Every social revolution has elicited some form of counter-revolutionary response from the international system. The impulse to reverse revolutionary transformation has much to tell us about the dynamics of social revolution as well as the nature of international order" - Nick Bisley, Review of International Studies (2004)

2023 was the year of the Environmental, social and governance (ESG) backlash. (For those that have been living in a cave, ESG is a framework used to assess business practices and performance against various sustainability issues and provide a way to measure business risks and opportunities in those areas).

"ESG scores" are used in the finance industry because they provide the illusion of an "easy button" for making ESG-based decision-making. However, the scores are so badly flawed that no investor can use them. In September, S&P Global announced they are no longer scoring companies on ESG risks when assessing credit quality.

Where is ESG heading in 2024?

The ESG term has become increasingly toxic, both politically and in the industry. However, it is not just ESG that's a problem – it is the 'E' part that is becoming progressively challenging.

The aviation industry has set an environmental goal to become Net Zero by 2050 and IATA has developed a 4 pillar strategy of improvements needed to achieve this: technology, operations, infrastructure and socio-economic initiatives. A key building block in the strategy is the increased production and development of SAF (sustainable aviation fuel). However, there is a catch, it is estimated that to reach Net Zero, current SAF production needs to scaled a thousand fold from 500 million litres to 500 billion litres between now and 2050.

"Sometimes it is healthy to believe in what we want to believe in. We all appreciate the charts that so wonderfully depict the levers to decarbonize our aviation industry, SAF (sustainable aviation fuel) being one of most important levers. Yet, when we look at the facts, the scaling of SAF both in terms of volume and projected timeframe is uncertain. There are too many uncertainties that need to be tackled."

This quote from Dr Ulrike Ziegler, President of IMPACT, the independent association to promote sustainable aircraft financing, encapsulates the challenges aviation as an industry (not just business aviation) face. IATA, ICAO, and other aviation bodies have committed to Net Zero as a goal. Regulators, the public, science and research, investors and supervisory bodies are calling for strategies, transparency and focused measures.

SAF is now getting a spotlight on it as the "Sustainable" in its name is now being seen as fuelling greenwashing.

SAF has the potential to greatly reduce aviation lifecycle emissions: most SAF will cut lifecycle emissions by 50%-80%, sometimes even more. However, sustainable fuel (whether it's bio-based or power-to-liquid) will be blended with conventional fossil kerosene.

Commercial aviation is at the receiving end of claims they have made about reducing emissions through SAF. If an airline advertises "We use sustainable fuel" (meaning blended fuel) when the emissions reduction is so small, it is penalised by advertising regulators for greenwashing.

Activists such as The Netherlands Fossielvrij claim that "SAF is the biggest greenwash of all. It's such an amazing brand name but it's not sustainable. Indeed, the term "SAF" is likely to be litigated in the next couple of years to test whether it is tantamount to greenwashing. Without context, SAF will become a difficult term to use.

Another environmental campaigner, Peter Lockley, believes that reputational rather than legal risk will force change as ***"SAF is another case of the aviation industry promising jam tomorrow as a basis for it to carry on expanding today."***

Then there are the practicalities of cost. Stefan Gössling, Research Professor at Linnaeus University points out that ***"our most recent research suggests that indeed, net-zero is not achievable. In real world terms: there is no basis for air transport to finance new propulsion systems including new fuels, provided these could even be made available."***

Gössling points out that over the period 1978-2022 (45 years) air transport's profitability has been 0.49%, or US$ 82 bn per year. In comparison (for the period 2024-2050), the production of SAF is expected to cost US$18-78 bn US$ per year – a colossal $4-$5 trillion cost of decarbonisation. In other words, commercial aviation does not have the money to fund SAF. Neither does business aviation which has a much smaller scale.

The business aviation industry continues to be the whipping boy for those who remain unconvinced by the industry's commitment to decarbonize. The Guardian wrote around the COP26 meeting that flights since the start of 2022, by 200 prominent private jet travellers generated as much carbon dioxide as the total emissions from almost 40,000 British citizens.

However, the industry cannot avoid this challenge. Climate targets are rapidly finding their way into national legislation. Commercial aviation bodies like IATA and ICAO are committing to Net Zero as a goal. Two new EU directives could affect companies' ability to cite offset and SAF purchases as progress towards carbon footprint reduction; there is even potential for regulators or pressure groups to act against companies which misrepresent their business travel emission reduction strategies.

There is yet another reason for the industry to address the challenge: sustainability is going to play a growing part in business aviation's ability to raise loans. In terms of European Union regulations, the business aviation sector experienced the adoption of new green financing rules and legislation commanding a sustainable aviation fuel (SAF) blending obligation in the bloc's 27 member states plus Iceland, Liechtenstein, and Norway.

Many banks have Net Zero mandates and operate as part of groups like the Net Zero Banking Alliance etc. which drives the decarbonisation agenda of these lenders. Industry leaders are concerned that the exclusion of business aviation in the taxonomy could result in higher interest rates or dry up green financing altogether as banks and other investors will look at other projects to support.

What can business aviation do?

The industry needs to come up with solutions so we can safeguard the future. Business aviation needs to prove it can achieve sustainability objectives.

European Business Aviation Association (EBAA) COO Robert Baltus and the EBAA have summarised the challenge for all of us:

"We want to make sure that the business aviation commitment to climate change is also reflected in the legislation and meets or exceeds the standards of whatever Europe comes out with."

Structuring for the future

Does ownership matter? Do we need to own something to get its full potential or realise its full value? Is ownership the key to success just because it has always been that way?

Being successful historically meant: get educated, get a job, buy a house. It was drilled into us because that is what our parents aspired to and every generation before – a desire to accumulate assets was thought to be the way to accumulate wealth.

With sky high interest and inflation of asset prices, ownership is becoming a difficult dream. In the current climate even renting is a struggle for many across most developed economies.

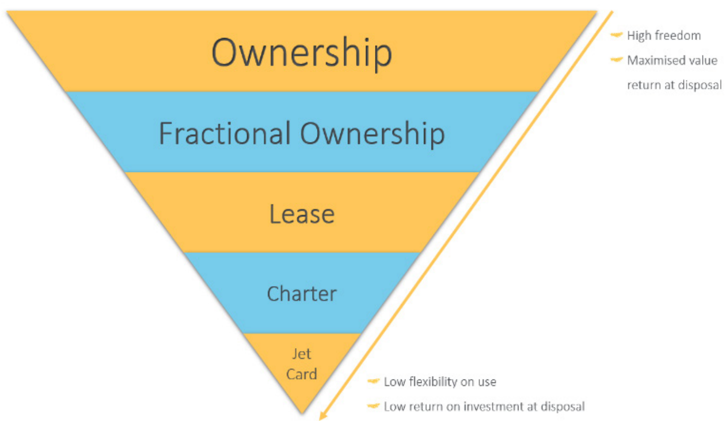
Yet we all still hanker to own something.

From a legal perspective, owning something is about establishing a person's right to possess and control that thing (such as an idea, property or aircraft). John Locke's theory of "homesteading" brought about the contemporary notion of private property in the 17th century; Locke's ideas gave rise to our collective understanding that acquisition of assets like property takes place through voluntary trade, inheritance, gifts or collateral.

But does this matter in 2024? Or are we (in the words of Elvis) 'caught in a trap' – a trap that exists in our mind, but not in reality?

There is a perceived notion that freedom goes hand in hand with ownership. Once you own something, other than restrictions that local, national or international regulations may impose, you are free to do with your property as you wish.

While there are other ways of gaining access to an asset without owning it (a lease for example), each step back from ownership increases the restrictions on control, access and use of property. The further away you step from ownership, the less freedom you have and there is a reduction on return on the original investment made at the point of disposal of the property.



In the complex world of business aviation, there has been an 'evolution' in terms of ownership.

The starting notion was that of "ownership" of the aircraft asset. The second was to give us access to this asset through fractional ownership.

Leasing and charter followed. Now we have jet cards and flight sharing too.

Each step further from ownership has increased accessibility to business aviation by reducing cost and barriers to entry. The rethink of access and usages has democratised business aviation.

However, the rethink of ownership has moved the purchaser further away from realising the value which attract people to the industry in the first place – the freedom to fly whenever, and wherever wanted and the saving on time compared to commercial airlines.

Entering 2024, business aviation will not only be challenged in respect of owning new aircraft, but also the ownership of technology behind the next generation of aircraft. The benefits of holding intellectual property (IP), patents and trademarks in separate corporate vehicles are well established:

- The potential for tax savings or tax preservation (both now and in the future);
- Efficiency in managing (and using) your assets;

- Limiting risk and liability; and
- A reduction in litigation threats and bankruptcy remoteness.

However, in the rush to get ahead in the new era of aviation design and innovation, many of the smartest minds (and biggest investors) often consider ownership of their ideas too late and to their financial detriment.

With this in mind, business aircraft owners, would-be owners and stakeholders should consider the following:

- Ownership is something that, whether we want to accept it or not, most of us aspire too.
- Ownership gives freedom and flexibility.
- Ownership allows the ability to say 'that is mine' – pride in ownership is even greater when we created the object of ownership – an idea, a design, a theory etc.
- Ownership can protect owners, partners and investors when well thought out.

In an era when we see amazing aviation innovation, the challenge will be to ensure the same level of care is taken to choosing how your property and aircraft are owned to ensure ideas, designs and innovation are protected through ownership.

2024 will challenge innovators to own their ideas in a way that will provide them the maximum flexibility, freedom and value for the future.

Conclusion

Each year the challenges facing business aviation seem to increase and can feel unrelenting; we must learn to see every challenge as an opportunity for the industry to demonstrate its versatility, ingenuity, and good humour in the face of adversity.

Business aviation is an incubator for innovation, a time machine for businesses, a lifesaver for remote communities, and tool of governments. The industry adapts and transforms depending on who needs it and what it is to be used for; this is the nature and beauty of business aviation.

As the world is transforming, it is the duty of business aviation to remain relevant and fly its own path while ensuring it meets its goals on the road to net zero. Business aviation cannot do it alone – we must align with commercial aerospace and energy industries while making sure our unique nature is valued and its benefits seen. This will require a coordinated voice – a challenge in itself.

So at a time that everything, everywhere is happening all at once, Martyn Fiddler Aviation recommend becoming part of this unstoppable movement and adopting a flexible mindset. Business aviation must find its voice and, big or small, we can all be a part if this.

If you have any questions, please contact **heather.gordon@martynfiddler.com**

To find out more about the services we offer please visit our website at **martynfiddler.com**