

The White House targets business aviation

US President Joe Biden proposed a phased 500% increase in jet fuel taxes for private aircraft users and lengthening the depreciation terms for business aircraft as part of his USD109.3 billion budget request for the Department of Transportation issued on 11 March. Taken together with the recent White House directive for the IRS to step up audits of business aircraft users, this is being seen as a targeted attack on business aviation sector.

In his annual State of The Union Address in March, the President referenced corporate jet users and pledged to ensure that they “pay their share”. The administration claims that private jets account for 7% of all flights handled by the FAA but generate less than 1% of taxes that fund aviation and airports. Under the proposals, tax on private jet fuel will rise from the USD0.22 per gallon to USD1.06 over five years, while the depreciation term for purchased business aircraft will increase from five to seven years, the same level as commercial aircraft.

The National Business Aviation Association (NBAA) called the measures unfair. “The Biden administration’s sweeping plan would hurt business aviation and the jobs and communities that depend on it and make it harder for US companies to compete in a global economy,” said NBAA President and CEO Ed Bolen.

“Among the proposals that single out our business aviation for onerous treatment is a five-fold tax increase, even though current fuel taxes already cover the incremental cost imposed on the aviation system. We urge Congress to tell the president that his gambit won’t fly with the citizens, companies and communities that rely on business aviation.”

NBAA and Cutter ‘Fuelling the Future’

As part of its efforts to fund global initiatives to promote and advocate business aviation around the world, the NBAA and Cutter Aviation have announced the launch of a new ‘Fuelling the Future’ programme. Headquartered in Arizona, Cutter describes itself as “the oldest family-owned FBO in the US and a leader in charter flights, aircraft sales and aircraft maintenance”. The programme is designed to build a partnership of operators who will donate a portion of fuel costs to support the NBAA’s work in advocacy initiatives.

Two ‘big five’ OEMs to miss EBACE

The absence of two of the ‘big five’ business aircraft manufacturers means that this year’s European Business Aviation Convention & Exhibition (EBACE) is attracting headlines even before it gets underway at the Palexpo venue next to Geneva Airport on 28 May. Both Gulfstream Aerospace and Bombardier will have no presence at Europe’s largest corporate aviation event, either in the exhibition hall or the static aircraft park.

When it also chose to sit out last year’s NBAA-BACE in Las Vegas, Savannah-based Gulfstream said it had “created private events and experiences that have exceeded our customers’ expectations” and noted its intention to focus on “select events in markets that align with our business objectives”. Bombardier said it was “exploring various regional marketing concepts as part of our broader business plan”. The Canadian OEM did however emphasise its support for “the great work of both the EBAA and NBAA in key areas, including safety, sustainability, innovation, advocacy, workforce development and other priorities.”

Traffic flat in US, falling in Europe

“Overall flight volumes are so far very similar to last year, but with considerable variance by region and operator type, with demand in Europe clearly ebbing, the US flat overall but at record highs in New Jersey, fractional operations powering ahead,” said WingX managing director Richard Koe in response to the latest traffic data.

In North America, bizjet activity is on par with the same period last year, 4% below the peak of 2022 and 28% greater than pre-pandemic levels in 2019. In contrast, European traffic this year is 3% down on 2023 levels, 12% below March 2022 and just 1% below March 2019. Traffic is down in virtually all individual markets.

Environmental protest target TEFAF

Extinction Rebellion and other climate change activists mounted a demonstration at Maastricht-Aachen Airport in the Netherlands on 9 March to protest against the substantial increase in bizav traffic caused by visitors attending TEFAF, the renowned European fine art fair in Maastricht. According to local sources, Maastricht saw the arrival of more than 200 private aircraft in connection with TEFAF 2024. Local authorities imposed emergency banning orders around the airport to avoid a repeat of previous security breaches and damage to aircraft that has occurred at other European facilities as environmental protesters pursue a strategy of attempting to disrupt events that involve a high bizav profile and increased use of private aircraft.

AVIATION SERVICES HUB:

Corporate ownership

Leveraging the Sovereign Group’s wealth of experience in the provision of corporate services, RANA offers ownership solutions that are tailored specifically to aviation assets. We can recommend appropriate jurisdictions and corporate structures to provide asset protection, including tax and succession planning, as well as advising on the requirements and restrictions of particular registries.

The carefully planned use of a company structure – or special purpose vehicle (SPV) – can provide a number of distinct advantages to the owner of private aircraft. Access to corporate limited liability and enhanced levels of confidentiality are the most obvious, but a company structure can also provide significant potential benefits in respect of estate planning, as well as simplifying any future sale of the asset, resulting in savings of time and cost. Sovereign will establish structures in jurisdictions worldwide that are best suited to the owner’s place of residence or domicile and the aircraft’s registration and intended usage.

Gibraltar passes act to establish new aircraft registry

The Gibraltar Parliament approved the Civil Aviation Act 2024 on 25 March. The Act seeks to establish a comprehensive and updated aviation regulatory framework in the British Overseas Territory, to include the formation of a new aircraft registry. A Civil Aviation Authority Act was also passed to provide a framework for a competent authority to have overall responsibility for the registry.

The legislation has been five years in the making. The Gibraltar government first issued a request for expressions of interest “from individuals and organisations interested in developing and operating a Gibraltar Aircraft Register” in April 2019. In 2022, the government entered into an agreement with “an experienced aviation industry operator to develop, operate, market and manage the Gibraltar air registry”.

Deputy Chief Minister Joseph Garcia told Parliament that the establishment of an aircraft register would not only provide opportunities for new business development and employment but would also provide a “platform for an aggressive marketing campaign throughout the aviation world”. He said aircraft registries currently existed in small states like Aruba, San Marino and the Cayman Islands. “Crown dependencies, too, like Guernsey have proved that their aircraft registries have the potential to generate economic activity and economic growth,” he added.

RANA looks forward to the development of the new registry.

Bizjet inventory continues to increase

The pre-owned bizjet inventory continues to grow after hitting historically low levels in the last couple of years when the demand for used aircraft soared following the pandemic, according to specialist analyst Jefferies. In March, the available inventory grew by 26% YOY and pricing fell by 4% YOY. Currently, 4.3% of the total bizjet fleet is available for sale – representing 1,116 aircraft against 883 in March 2023. In terms of category, the number of available midsize jets grew by 30%, while large cabin aircraft increased by 25%.

Ukraine airspace reopening?

More than two years after Russia’s invasion of Ukraine, it has been confirmed that the Ukrainian government has initiated discussions with both EASA and the FAA regarding the potential reopening of Ukrainian airspace. The country’s airspace has been closed to civilian traffic since the invasion and there is widespread concern about how a safe reopening can be achieved while the conflict continues. Should agreement be reached, it is believed that reopened airspace would be limited to business aviation and freight traffic.

Corporate aircraft news

Gulfstream Aerospace has confirmed that the US Federal Aviation Administration (FAA) had finally granted certification to its latest flagship, the twinjet G700, on 29 March. The approval process has been protracted and suffered numerous delays, due largely to increased scrutiny of certification requirements following the well-publicised criticism of the regulator following issues surrounding the Boeing 737 Max aircraft. A few days later, the FAA also issued the manufacturer with a production certificate for the aircraft, confirming its satisfaction with the OEM’s manufacturing procedures, together with a supplemental type certificate for the G700’s cabin interior and air purification system.

The G700 was unveiled at NBAA-BACE in 2019 and had been expected to enter service following certification in 2022. The OEM is understood to have so far produced 53 examples of the new aircraft, with 46 being due for delivery to customers. Delivery will of course be subject to foreign regulator certification and flight crew training on the new model. According to Hagerty Jet Group, a broker specialising in Gulfstream, the imminent delivery of so many new G700 airframes will lead to an increase in the number of older models in the perused inventory as owners upgrade to the new aircraft.

The Rolls-Royce Pearl 10X engine will power the new Dassault Falcon 10X. The engine manufacturer confirmed that has begun flight testing the new engine using a testbed Boeing 747-200 from its facility at Tucson, Arizona.



AIRCRAFT FACT FILE \ \

Ilyushin IL-76



CATEGORY

Heavy jet airlifter

MANUFACTURER

Ilyushin Design Bureau, USSR/Russia

ENGINE

4 x Soloviev D-30KP turbofan

LENGTH

46.59 m

WINGSPAN

50.50 m

RANGE

4,400 km

MAX. SPEED

1,005kmh

SEATING CAPACITY

N/A

NO. OF CREW

5

MAXIMUM TAKE-OFF WEIGHT (MTOW)

190,000 kg

DESCRIPTION

The Ilyushin IL-76 has often been described, quite accurately, as an ‘aviation behemoth’. The distinctive large jet freighter has seen both commercial and military use around the world. The Ilyushin Design Bureau’s original brief was to produce a jet aircraft capable of carrying large loads over long distances to remote corners of the then Soviet Union. Previously, this role had been fulfilled by propeller driven freighters such as the ubiquitous Antonov AN-12 and its predecessors, the AN-8 and AN-10.

The Ilyushin IL-76 made its first flight on 25 March 1971 and entered service in June 1974. Since then, nearly 1,000 examples have been produced and the original design has undergone many enhancements, including the use of more efficient powerplant to conform to more stringent noise regulations, particularly in Europe. The aircraft’s principal role remains that of heavy airlifter, carrying loads outside the capabilities of competing models. It has also seen service as a troop carrier and inflight refuelling platform.