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Business Aviation Futurecast – Where It's Come From And Where It's Going

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By **Mark Patiky**

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Business Aviation has evolved dramatically since its coming of age in the 1960s, says Joe Carfagna, Sr., Chairman and Chief Executive Officer, Leading Edge Aviation Solutions, LLC. When Learjets, Falcons, Sabreliners and JetStars first took to the skies in the 1960s you had to buy an aircraft outright in order to gain the benefits, and you had to hire technical experts – pilots, mechanics, operations managers -- to fly, maintain and account for the aircraft.

Industry veterans Matt Weisman, Bill Watt and Carfagna recognized that interest in business aircraft would be far greater if the buyer could outsource the technical, operational and administrative demands of aircraft ownership, so in the early 1970s together they founded one of the world's first aircraft management companies called Executive Air Fleet (EAF).

EAF's success was grounded in customer service and impeccable operating and maintenance standards. In fact, many of EAF's crews were former Air Force pilots that had flown the President, foreign dignitaries and heads of state. "Our largest clients were banks, brokerage firms, insurance companies, and commercial property developers," said Carfagna. "They were traveling further, and business was beginning to go global. We were the only independent source for a significant, professional flight operation, so the company grew very quickly."

EAF made business jet charter a practical idea as well. When aircraft owners didn't need their planes, EAF could use them for charter, and charter revenue helped defer some of the fixed ownership costs. In addition, for the first time, anyone could fly whenever they needed by paying only for the chosen flight, and they could travel with unprecedented levels of safety and comfort aboard impeccably appointed aircraft owned by some of the nation's most prestigious companies. EAF set the benchmark for management and charter companies that followed.

By the late 1980s, Carfagna decided to focus exclusively on aircraft acquisition and sales, and started his own aircraft brokerage firm. He recalls that when aviation brokerage firms were just beginning, there, of course, was no Amstat, Jetnet or TRC, now Aircraft Post, to list the aircraft of the world or provide fleet analysis. These firms came about in the 1980's. Before database firms, he who had the information had the edge in selling or acquiring aircraft. That meant endlessly making call after call to aircraft owners. These database companies have certainly changed and improved real-time business jet intelligence.

A discussion of the changes in business aviation and the widening of aviation markets must include the advent of fractional ownership. NetJets fractional ownership took aircraft acquisition to new levels of affordability and practicality. Jet Cards took the phenomenon of ease and accessibility even farther, and now hybrids like JetSuite, XO Jet and Wheels Up have broadened the market even more. "So the industry evolved from single ownership to multiple ownership to the tiniest fractions in planes like the Wheels Up King Airls, which make business aviation practical for a wider audience than ever before," Carfagna says.

All of these developments stimulated broad interest in business aircraft. Sales for new and used aircraft paralleled the growth trend in charter, fractional ownership and Jet Cards. Then in 2008, the world economy nose-dived and aircraft sales languished. "It took five years before we saw a glimmer of recovery in whole aircraft sales," says Carfagna.

"By 2013, used airplane prices had plummeted by as much as 50%, but last year was a turning point," he says. "New airplane orders started to improve and used aircraft prices in some models stabilized. Hedge funds, which are some of the biggest airplane buyers, were buying and selling companies and creating businesses around the world. They needed speed and range, and they didn't want to wait for new plane deliveries." As a result, used Gulfstream G650s were coming on the market with as few as 20 hours. "About 12 airplanes changed hands in the last 18 months," says Carfagna. "Owners could net an \$8 million to \$12 million profit if they sold the airplane immediately

after completion, so even though the backlog extends out a couple of years, you could buy a G650 and start flying immediately."

Bombardier is experiencing success and so are Dassault and Embraer. Underscoring that sales growth is the fact that hangar space is at capacity at the major New York area corporate airports, mentions Carfagna.

The ultra-long-range jets, like the Gulfstream G650ER, the Bombardier Global series and the Falcon 8X, which will take you anywhere in the world at nearly the speed of sound and with no more than a single refueling stop, are some of the hottest sellers today. Carfagna also sees strong appeal in the newest aircraft and technologies in development such as the Embraer Legacy 500, Dassault 5X and Cessna's Latitude and Longitude. He's optimistic about the market for a supersonic business jet, as well. "We feel very bullish about the next few years," Carfagna says. With all those positive indicators, this just may be the perfect time to buy.

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