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In one more piece of bad news for Eclipse Aviation, Forecast International today projected that production of the Eclipse 500 will soon end. The Connecticut-based market research firm believes that the aircraft's manufacturer, Eclipse Aviation, will not attract new investment necessary to allow it to continue making the aircraft beyond the first quarter of 2009.

"Eclipse continues to produce aircraft at a low rate as it seeks to preserve cash," said Forecast International aircraft analyst Douglas Royce. "We have forecast production of 162 Eclipse 500s during 2008. We believe that the company will be able to push production out into early 2009 but will be forced to cease production within the first quarter of 2009."

The Connecticut-based company predicts only about a dozen of the VLJs will be produced in early 2009, and "even this forecast may prove too optimistic," said Royce.

According to the Forecast International interim report on the Eclipse program, which is scheduled for publication in December, Eclipse Aviation's business plan depended on delivering a twin-jet aircraft at an extremely low price relative to its competition. This low price was dependent on use of a high-volume production strategy made possible by importing methods of production from the computer and automotive industries. However, the anticipated production ramp-up never occurred and the company has been unable to realize the economies of scale it needs to meet its price target.

Until May of 2008, the list price of the Eclipse 500 was \$1.52 million. Thereafter, the aircraft's price increased to \$2.15 million, but Eclipse Aviation is required to deliver aircraft at the earlier, lower price to customers who executed an Aircraft Purchase Agreement and paid the required 60% total deposit. Every aircraft delivered under the old price is delivered at a loss, Forecast International notes. At the moment, the company does not have the financial resources to absorb these losses and survive. Eclipse declined to tell Forecast how many aircraft it has to deliver at the \$1.52 million price.

To restructure its operations and reach profitability, Eclipse Aviation has said publicly that it needs \$200-\$300 million in new equity investment. With credit markets in the midst of a major crisis, Eclipse Aviation is seeking funding at a time when bankers and investors are reluctant to pour hundreds of millions of dollars into a company facing an uncertain future.

Eclipse is facing of host of new competitors in the Very Light Jet (VLJ) market. Florida-based DayJet, an air taxi service, accounted for about half of the initial Eclipse backlog when it folded in Sept. 2008. Raising prices any further to cover costs will also cause the company's backlog to contract. The business jet market overall is also entering a period in which demand is expected to contract sharply in the near term, cutting sales for every participant in the VLJ market.

"Under the circumstances, Forecast International believes that securing new funding, while still possible, is unlikely," said Royce. "Forecast International has cut its forecast for the Eclipse 500 accordingly

*AviationWeek.com photo by Frances Fiorino.*

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