

New Mexico Business Weekly - November 24, 2008

<http://www.bizjournals.com/denver/othercities/albuquerque/stories/2008/11/24/focus1.html>

DENVER
BUSINESS JOURNAL

Friday, November 21, 2008

Sponsored by
brother.
at your side

With or without Eclipse, very light jets take flight

New Mexico Business Weekly - by [Kevin Robinson-Avila](#) NMBW Staff

Related Media



For better or worse, most people associate “very light jets” with [Eclipse Aviation Corp.](#)

That’s because Eclipse founder and former CEO Vern Raburn is generally credited with introducing the concept. He raised more than \$1 billion to make it a reality, allowing the company to launch a sprawling, high-tech factory in Albuquerque to mass produce the world’s first highly affordable personal jet for individuals and businesses.

That set the stage for many other start-up companies, as well as established aircraft manufacturers, to develop their own VLJs, giving rise to a whole new segment in the aviation industry.

Now, even with Eclipse teetering on the edge of bankruptcy, industry analysts say VLJs are here to stay — with or without the Eclipse 500.

“In light of the problems faced by Eclipse, it’s very important to not look at the fate of that company as the fate of the [entire] very light jet industry,” says Ray Jaworowski, senior aerospace analyst with [Forecast International Inc.](#) “As the Eclipse 500 goes is not necessarily the way VLJs will go.”

Forecast International, a Connecticut-based market analysis firm, predicts Eclipse will shut down in the first quarter of 2009, because it can’t attract the additional investment it needs to reorganize and ramp production back up (see related story, page one).

But Jaworowski says other companies are already lined up to take Eclipse’s place.

“There are other VLJ models now on the market that are, or will be, a success,” Jaworowski says. “The Cessna Mustang already is succeeding. We see good prospects for Embraer’s new Phenom 100 jet, and significant promise for jets being developed by [Diamond Aircraft](#), [Honda](#), [Piper Aircraft](#) and [Cirrus](#). We believe those VLJs have a solid market, even if the Eclipse 500 falls by the wayside.”

The [National Business Aviation Association](#) has loosely defined very light jets as single-pilot, twin-engine planes that weigh 10,000 pounds or less, have five or six passenger seats, automated cockpits and cost half as much as the most inexpensive business jets now in service.

When the Federal Aviation Administration awarded type certification to the Eclipse 500 in 2006, it predicted that within 10 years at least 4,500 VLJs would be flying worldwide.

Jens Hennig, vice president for the General Aviation Manufacturers Association in Washington, D.C., says that prediction remains realistic, thanks to all the companies now manufacturing or developing VLJs.

[Cessna Aircraft Co.](#) began producing its Citation Mustang in 2006, and since then it has delivered more than 100 jets, Hennig says. Brazil's Embraer (Empresa Brasileira de Aeronáutica S.A.) will produce its first 10 Phenom 100s by December, and it plans to ramp up production to between 120 and 130 next year.

"Cessna, Eclipse and Embraer combined will have delivered more than 400 VLJs by the end of this year," Hennig says. "Even without Eclipse, Cessna and Embraer will together produce nearly 300 per year starting in 2009."

With the HondaJet scheduled for delivery in 2011, total annual production could reach 500 VLJs in just a few years, especially if new single-engine jets are included in the broader definition of very light jets, Hennig says.

Both Piper and Diamond are developing single-engine planes — known as personal jets — that will be less expensive than the higher-end, twin-engine Mustang, Phenom and Honda jets.

In its annual Business Aviation Outlook, released in October, [Honeywell International](#) grouped all personal and very light jets together and predicted that 7,000 to 8,000 of them would be delivered by all companies combined between 2008 and 2018.

Unlike Eclipse Aviation, most of the companies now developing VLJs are well-established plane manufacturers, not startups. They have a stronger economic foundation, extensive infrastructure in place, and brand recognition in key markets worldwide.

That makes them far more likely to succeed in the emerging VLJ market, says Oscar Garcia, chairman of [InterFlight Global Corp.](#), a Florida-based aerospace consulting and advisory firm for investors and aviation businesses.

"Rookie manufacturers like Eclipse often miscalculate the difficulties and expenses of entering a new market, but for well-established operators like Cessna, Diamond and Piper, there is a much smaller learning curve," Garcia says. "They already have manufacturing facilities and extensive support services in place to work with customers. They're just adding a new product to their existing line of aircraft."

Moreover, brand recognition helps established companies take advantage of world markets where demand is growing, but where potential customers are wary of startups, Garcia says. That's particularly true in Latin America and the Caribbean, where a number of air-taxi companies are either already operating or are planning operations with very light jets.

Perhaps most important, the established companies are far more likely to be able to weather the current economic crisis.

Demand remains strong for most types of aircraft, thanks to a heavy backlog of orders. In fact, Honeywell's annual Outlook forecasts delivery of up to 1,400 business jets next year — a 17 percent increase from 2008.

But if the recession deepens significantly or lingers for years, the first companies to fold would be the startups, says Gerald Bernstein, managing director of California-based [Stanford Transportation Group](#).

"The market may start to soften in 2010 and 2011, but VLJs are a viable product with a good market," Bernstein says. "It's just lousy timing for Eclipse and other startups. Companies such as Cessna, Embraer and Honda have deeper pockets. They're the ones with the strongest market prospects."

Other VLJ startups have already folded, such as the [Aviation Technology Group](#), which was developing the Javelin Executive jet, and [Adam Aircraft](#) of Colorado. ATG went bankrupt in December, Adam in February.

Raburn says that is to be expected with such a new, disruptive technology.

"Stops and starts are inevitable with something so new," Raburn says. "It's very hard to start a new company in aviation. I was profoundly aware of that, but that doesn't stop an entrepreneur from trying."

Whether Eclipse Aviation survives or not, the company has already succeeded in creating a totally new product with a growing market. That's a major feat in the world of general aviation.

"VLJs have now become a fact of life," Raburn says. "There are more VLJs being produced now than any other aviation segment. That's an immense achievement, and it makes me very optimistic about the future for very light jets."

krobinson-avila@bizjournals.com | 348-8302

All contents of this site © American City Business Journals Inc. All rights reserved.