SPEECH BOOK

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REMARKS TO

CORPORATE AVIATION MANAGEMENT ASSOCIATION, LTD.

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REMARKS BY
JAMES B. TAYLOR
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TO THE
CORPORATE AVIATION MANAGEMENT ASSOCIATION, LTD.
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Good afternoon. Since we're all in this together, I welcome the opportunity to share experiences with a group dedicated solely to the objectives and needs of corporate aviation management and managers.

My personal experience, as most of you know, has been in the marketing of business aircraft. To outsiders, that is a profession frequently associated with the intensive use of crystal balls, star-gazing, astrological charts, and magic formulas inscribed on old pages of parchment.

But insiders -- such as you and I -- know that the data we work with is accurate within a fraction of a percent. The problem is that some of the numbers we develop seem unbelievable. Remember that twenty-two years ago, there were just 16 business jets in the entire world. Last year, there were 5,140 small, medium and large business jet aircraft registered, with 80 percent of them in the United States, Canada, and Mexico.

Would any of you blink an eye, or nudge a neighbor, if I predict that the business-jet fleet will, in just ten years, include more than 4,400 large and medium-size aircraft? That's more than twice the size of today's medium and large-sized business aircraft fleet. And I'm not even counting the thousands of small-sized business jet aircraft that will be operating in ten years.

Believe it. We do. Canadair has spent, and is spending, a lot of money to meet the growing requirements of a market of that size. Our plans for the next decade are based on figures of a fleet that big.

So today, I'd like to share with you some of our own marketing data that will show you the direction in which we believe the industry is headed. It may serve to stimulate some of your thoughts about how to manage such a large transportation system. Because what we are looking at, in the very near future, is a system of corporate aviation that can become -- if properly marketed and managed -- the largest single-use transportation system in the world.

That marketing and management will, of course, require the intelligent effort of good people, who are the key to the successful operation of any kind of enterprise.

It's unfortunate that the airlines seem to be ignoring the proper marketing and management of a major transportation system, much as the railroads ignored it earlier, to their peril and ultimate downfall. By any measurable standard, airline service has deteriorated as productivity has decreased and costs have risen during recent years. Fewer cities are being served. The scheduled airlines of the United States served 604 city pairs in 1975 ... but only 254 city pairs last year. That's a decline of almost 60 percent.

And do I need to point out that baggage is delayed longer, and lost more often? Or that overbooking is standard practice? Or that there are longer and longer ticket lines at the fewer counter positions open? I think the seats are getting smaller, too. And when you open the overhead compartment to put your overnight bag away, you find the space already filled with a crate of grapefruit and a set of golf clubs.

The world's airlines are losing billions of dollars. Their capital requirements are reaching staggering levels -- estimated at $50 billion during the current decade. And there seem to be no technical or managerial developments in sight that might bring significant improvements in productivity, or reductions in total operating costs.

In spite of the discomfort, and the inconvenience, businessmen continue to travel, as they must. They extend their working days into the nights and weekends to make airline connections that seem to be arranged to avoid paying a crew and their expenses for an overnight stay somewhere.

Last year, about 20 million business flights were made on the scheduled airlines of the U.S., up about two-and-one-half times since 1978. Those businessmen passengers tolerated the conditions of today's scheduled air travel because their travel was vital to commercial opportunity.

Those of us in corporate aviation know what the answer is to all those problems I've just listed. It's the standard answer when anybody asks us why we sell, or why you operate, corporate aircraft. It's because they save time and increase productivity.

In 1981, American business firms spent more than $9 billion on automated office equipment, purchased for exactly the same purpose: To save time and increase productivity. The office-equipment industry is forecasting shipments in excess of $20 billion by 1985.

What's it worth? Do the computer terminals and word processors and automated accounting procedures really save that much? A recent study by Booz-Allen-Hamilton suggested that one-quarter of the time spent on the job by top-level managers is misspent. It's wasted, waiting for people, waiting for information, waiting for clerical work to be completed. Nobody has any idea, of course, how much time is wasted waiting for New York's grid-locked traffic jams to clear, or waiting for airline connections, or waiting for a taxi on a rainy day.

Computerize, said the Booz-Allen-Hamilton study, and improve productivity. How much? Over the next decade, increased productivity by $270 billion.

The amounts of money spent during 1982 on business-related travel and entertainment added to $72 billion. The airlines received almost one-third of that amount, by the way. About $16 billion went for meals and entertainment, $14 billion for lodging, $11 billion for car rental, and more than $7 billion in miscellaneous expenses.

That $72 billion total is more than double the amount of $34 billion spent a decade ago, in 1972. We see the travel and entertainment expenditures reaching $124 billion by 1985, and $250 billion by 1990, just seven years away. Those costs are the third largest expense items for American business. Payroll is the first, and data processing is the second largest.

Our research indicates that more than half -- 52 percent -- of all air travel, both domestic and international, is for business. Domestically only, it's a little higher -- 55 percent. And frequent flyers, making more than a dozen trips each year, account for 31 percent of all air travel.

By comparison, top executives are very frequent flyers, making an average of 22 trips each year on business, and spending an average of 79 nights away from home each year.

And most of them -- an overwhelming percentage -- travel by commercial airlines. Our research shows that 98.5 percent of all business travelers are flying on the airlines, but only one and one-half percent are flying in corporate aircraft. If we could reverse those percentages -- get 98.5 percent of all business travelers flying on corporate aircraft -- we'd achieve an enormous gain in productivity, and we'd save money, including the costs of those expensive nights on the road.

So we see our competition - and yours, also -- as the airlines. And we see the airlines losing out, just as the railroads lost out, and just as the transoceanic steamships, stage coaches, river boats, and every other early form of public transportation lost out when a better, faster, more efficient way came along.

Corporate aviation is that better, faster, more efficient way, and it faces an extraordinary opportunity over the next few years because of its unique ability to provide random access to transportation, and great flexibility in scheduling. Corporate aviation has that opportunity because the present airline transportation system does not and cannot serve the need of the frequent business traveler who has a requirement for random access to a network of locations.

You've heard the advantages of corporate travel, compared to airline travel, so many times, that I will not bother to repeat them all. Increasingly, you can't get there from here, unless you want to spend the better part of a day or two getting there. With corporate aircraft, we can get the important business travel done efficiently and speedily, and we can provide the random access that business demands for its peak performance.

You've also seen the statistics about the FORTUNE 500 and FORTUNE 1000 companies, and the fact that they included 536 business aircraft operators during 1981, with a fleet size of 2,229 aircraft. The top 100 companies operate about 43 percent of the fleet, and 12 operators have 21 or more aircraft, the size of a small airline.