Sounding Board: Five Minutes With Jack Pelton, Experimental Aircraft Association CEO

Jack Pelton, the former head of Cessna Aircraft, was elected EAA's Chairman of the Board in 2012 and named CEO in 2015. With both parents pilots, Pelton grew up around aviation. He built his first aircraft with his father in the 1970s. The Weekly of Business Aviation caught up with Pelton ahead of the opening of EAA AirVenture Oshkosh, which runs July 22-28 in Oshkosh, Wisconsin.

Q. As head of one of the largest general aviation associations in the world, how do you think the industry is doing?

From an industry standpoint, the General Aviation Manufacturers Association shows we’re finally starting to see some recovery in the general aviation market. Helicopters not so much, but at least fixed wing is starting to come back, which is very encouraging. Flying activity seems to be higher. There is more traffic on the radio, which is good.

Q. You mentioned that a strong economy is starting to affect aviation for the better. What are you seeing?

People are equipping. We’re hearing more and more of that. The avionics manufacturers I talk to said from Sun ’n Fun, which was a blow-out show for them in terms of sales, leading into Oshkosh, they’re expecting lots of good business. We have not heard that for the last couple of years. The ADS-B mandate has caused some of it. There’s a lot of modernization they’ve had in the pipeline for a while. Textron is hiring, which is great. I think it’s interesting that you see Lear making a push to try to revitalize the Lear 75 (with announcement this month of the lower-cost Learjet 75 Liberty.) They have got to be bullish that the economy is turning enough. It’s either a confidence move or a bullish move, but it’s certainly something that in a down economy, you would not be making that kind of bet.

Q. How has the economy affected this year’s EAA AirVenture?

“It’s incredible. The 850 commercial exhibits sold out significantly early this year. We’ve got a waiting list of exhibitors that would like to bet there.”

Q. Do you normally have a waiting list for exhibitors?

No.

Q. How about attendance expectations?

Presale of advanced tickets is 19% higher than last year. We’re expecting big crowds. It will be at least as big as last year, which was a record year of 601,000 people, or greater.

Q. What is your biggest challenge in preparing for the world’s largest general aviation gathering?

Our biggest challenge every year is trying to find enough exciting and different things to showcase. The challenge is getting those themes together. This year, it’s the 50th consecutive event held in the city of Oshkosh. Before, the show was held in Rockford, Illinois. (The first show was held in Oshkosh in 1970.) We tried to find as many airplanes that flew in during 1970 as possible. Close to 50 airplanes responded.

Q. The Innovation Center at AirVenture is in its fourth year and continues to grow. Its focus is on urban mobility. How close is this to becoming a reality?

It’s hard to pin a date on it. They were saying a couple of years ago that we were five years away. I think we’re still about five years away. The FAA and acting administrator Dan Elwell are taking a pretty public position saying this is coming. The technology is outpacing the regulatory environment to be able to accommodate it. It’s going to be paced by how fast we can get the rules in place to fly in the airspace. That’s probably three years away.

Q. What about electric aircraft?

Those have progressed well. The only limiter is the battery technology. It’s probably holding it back from being real functional. Siemens is working on the motors and spending a lot of time and effort working on that. We’ll clearly see that in three years. GAMA is working really hard on helping get the regulatory rules changed.

Q. Under current rules, flight schools cannot use electrically-powered light sport aircraft. What is the status?

The mistake in the LSA rule—in order to get it done and get it out—they did not make provisions for turbine-powered or electric-powered aircraft. The rules say you have to have conventional engines. They are going to revise it. It’s in full motion and coming quickly.

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The civil helicopter industry “hasn’t caught a break” since oil prices fell below $100 a barrel five years ago, aviation analyst Brian Foley said in a recent analysis.

To illustrate, Foley, with Brian Foley Associates, notes that total delivery values of helicopters have declined 42% from nearly $7 billion in 2013 to just under $4 billion last year, according to the General Aviation Manufacturers Association. “The first quarter of 2019 portends another difficult year, as values plummeted 15% compared to the same period in 2018, from $604 million to $514 million,” Foley said.

The number of deliveries didn’t change much between 2013 and 2018, noted Foley. “Rather the mix of sizes changed with fewer high-value big helicopters being shipped,” he said.

Compared to the small- to average-sized helicopters used by police, air ambulance, corporate and others, offshore helicopters used by the oil and gas industry are “super-sized” to move up to 19 workers and their heavy equipment to oil rigs miles out in the ocean.

Due to their sheer size and performance capability, these queens of the sky cost multiples of what typical rotorcraft cost,” said Foley. “As an example, compared to a $1 million entry-level helicopter, an offshore machine can easily weigh in at over $25 million.”

According to Foley, the focus of the problem is in the dramatic worldwide drop in the price of oil. “The price fell from well over $100-per-barrel five years ago to less than $40 a year later, leaving the offshore industry “reeling and oil companies scaling back their rig and exploration activities, greatly reducing the need for air transportation.” This was compounded by the rise in fracking, a land-based oil recovery process without the need for helicopter transport.

The impact on the helicopter industry was devastating, said Foley. Deliveries of large offshore helicopters fell from 15% of all industry deliveries five years ago to 6% in 2018. “This has resulted in existing aircraft fleets being put into storage as supply outstripped demand for lift.

“Offshore helicopters are very specialized for the mission and can’t easily be repurposed for a non-oil mission without significant and expensive modifications,” Foley said. “Even then, the market for these repurposed behemoths is still limited at best.”

Harder hit financially, he said, were companies that operated the helicopters under contract with oil companies. “The four leading providers entered Chapter 11 bankruptcy, though each has since reorganized or is in the process of doing so,” Foley said. “It is these companies that owned or leased their helicopters and either parked or dumped many of them on the market.”

Some, said Foley, handed the helicopter and its keys back to the financial institution, which caused one lessor to declare bankruptcy. Shedding debt through bankruptcy does not solve the original issue of continued excess capacity, he said.

“It addresses the symptom, but not the cause,” Foley said. “Now, not only is there the possibility of additional operators entering bankruptcy, there is the very real chance of those who have already reorganized, refiling.”

This presents a “survival-of-the-fittest situation” to offshore helicopter manufacturers and their flagship models, namely: Sikorsky and the S-92; Airbus Helicopters and the H225; Leonardo’s AW189 and Textron’s new Bell 525, which is undergoing final testing.

However, “there could conceivably be only one or two of these models remaining after the dust settles,” said Foley.

“The Sikorsky S-92 got a reprieve by being selected to supply the U.S. Presidential Helicopter fleet, although beyond these deliveries there is a question mark,” Foley said. Who else may survive?

Leonardo and its AW189 is the “only obvious shoo-in, with perhaps one of the others as a straggling co-supplier to oil and gas,” he said.

“The prospect of a return to the golden days of supplying the once lucrative oil and gas industry with offshore helicopters seems elusive. It’s believed that oil prices must first stabilize for an extended length of time at a price of $85 or more per barrel, a scenario not widely envisioned at the current time. As such, the values of the industry deliveries appear likely to continue their decline, or at best remain flat.”

Difficult decisions must be made in the coming months.

“Excess capacity must first be rationalized, a necessary step which thus far has been artfully dodged or delayed, which will cause further consternation among the manufacturers, operators and lessors,” Foley said.

—Kirby Harrison, kirbyjh12@hotmail.com

Q. What is the biggest challenge for members?

I think in general aviation in general, everyone struggles with cost… and keeping the older airplanes going. A 1970s Cessna 172 is considered vintage, for example. Getting parts and maintaining them and spares and the engineering, especially for airplanes manufacturers no longer support, and working on the regulatory changes to get lower cost equipment put on them can be difficult.

Q. You mentioned that EAA is giving out $1 million in scholarships to young people who are members of local EAA chapters who want to learn to fly. That’s impressive. How does that work?

For this year, our biggest news was that we are giving out a million dollars in scholarships to youth that are EAA members at our chapters… Local chapters are giving scholarships in $10,000 increments. In the first 40 we gave out starting in March, all but three have already soloed. A chapter has to nominate somebody that is a youth in their chapter and the chapter has to agree to be there to mentor, answer questions and encourage them. You get a better success rate rather than someone walking into an FBO and saying, ‘I think I want to learn to fly.’

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