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ON THE ROAD

Forecast for Business Jets Eases Off on Exuberance

By [JOE SHARKEY](#)

THE annual trade show and convention of the National Business Aviation Association is always a swell affair, with a huge crowd, a vast expanse of convention displays and row after row of shiny new corporate jets lined up at a nearby airport.

This week is no exception at the convention in Orlando, Fla., where more than 27,000 people from the business aviation industry and its corporate customers celebrate another record year. Any clouds on the horizon still seem far away.

This is an industry buoyed by strong orders from previous years. In 2008, for the fifth consecutive year, deliveries of business jets will set a record — nearly 1,200 new aircraft, an increase of about 15 percent over last year, according to [Honeywell Aerospace](#). Honeywell released its annual industry forecast at the convention, which continues through Wednesday.

But with the stock market plummeting, this may be the last year of unbridled exuberance for a while. Prospects for the business jet industry have been bolstered by rising demand outside the United States, and as much as 55 percent of new orders over the next five years are expected to come from overseas, Honeywell says.

Deliveries next year are expected to exceed this year's. But, Honeywell said, deliveries will probably peak either in 2009 or 2010. Long-term industry prospects nevertheless remain strong, with \$300 billion in sales forecast over the next 10 years, Honeywell said.

Forecast International, another prominent industry analyst, issued its own outlook in late September that predicted another record year in 2009, followed by a three-year decline that would reflect worsening economic conditions.

In discussions with corporate flight departments in the United States, Honeywell analysts are already picking up signs of a decline in business jet use.

"Flying hours are slowing in general, mostly concentrated in smaller jets," said TK Kallenbach, marketing vice president at Honeywell Aerospace.

Departures of private jets, as measured by the Federal Aviation Administration, are also declining, Mr. Kallenbach said. The sharpest declines have been in the use of the least expensive jets.

"To date in 2008, 78 percent of the reduction in flight hours has been concentrated in light jets and very light jets," he said. "When fuel prices started to go up, they affected the light-jet guys the most, guys who are

flying on a more discretionary basis,” he said.

Another developing trend is a large inventory of used jets for sale. Again, it is primarily in the low end of the market — light-cabin jets that sell new for \$2.5 million to about \$6 million.

“You see a lot of light jets and very light jets hitting that used-aircraft market,” Mr. Kallenbach said, “whereas it’s extremely difficult to buy a used Global right now; it’s hard to find a used G550.” He was referring to [Bombardier](#)’s line of big Global 5000 and Global Express jets, which sell for about \$45 million, and Gulfstream Aerospace’s G550s, which cost about \$59 million.

There is, of course, a private jet market that’s even richer. That is the market in wide-bodied airliners converted to corporate or private use by extremely wealthy people. That market seems to be doing just fine.

At Lufthansa Technik, which installs custom cabins on big airliners for private use, demand for conversions of wide-body airliners at the “uppermost levels of the business-jet market” has “risen dramatically,” the company, a subsidiary of the German airline, said in Orlando.

Lufthansa Technik has contracts to provide V.I.P. interiors for two [Airbus](#) A380 superjumbo planes (list price, around \$330 million without interior fixtures), and two A340s (list price, \$225 million) by 2011. In Orlando, the company announced that it had new letters of intent to outfit interiors of three [Boeing](#) 747-800s (which cost about \$260 million) and three Boeing 787s (not yet in service, but expected to cost around \$170 million).

The company also said it was negotiating with six other customers for 787 private cabins and five others who want to have 747-800s outfitted at its factory in Hamburg, Germany, where Lufthansa has already done interiors for 15 Boeing 747s that are currently flying the world in private hands.

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E-mail: jsharkey@nytimes.com

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