

[PRINT](#) [CLOSE](#)

Foreign Sales Lift Private Jet Business



Mar 10 2008 4:34pm EDT

The U.S. economy may be coming in for a landing, but the demand for private jets is still flying high.

The bustling economies of China and India, and newfound oil wealth in countries such as Russia, have helped keep sales of small executive jets strong. Despite the weakening of corporate profits in the United States, North American plane makers are reporting record orders, many from overseas.

"There is a lot of demand worldwide," said Raymond Jaworowski, an aerospace analyst with market research firm Forecast International in Newtown, Conn. "If the U.S. economy does soften and even if we go into recession, the effects will be insulated somewhat by the growing economies outside the United States."

The overall demand for jets is expected to remain strong in the coming years, said Jaworowski, who forecasts nearly 15,000 business jets worth a total of \$192 billion will be sold over the next decade industrywide. The increase will come in planes of all sizes, he said.

New planes may be in the works to satisfy companies hoping to free top brass from the hassle of commercial air travel. Some analysts expect General Dynamics Corp., owner of the Gulfstream Aerospace Corp., to

announce plans as early as this week for its largest plane yet, a jet that could carry around 20 people across the Pacific Ocean on one tank of fuel.

The North American market has traditionally been the biggest consumer of private jets, but Falls Church, Va.-based General Dynamics said 2007 orders for Gulfstream jets overseas surpassed its North American totals for the first time. The company sold its first large cabin jet in China last month.

Canada's Bombardier Inc. said earlier this year that it had a record 452 orders in its fiscal year ending Jan. 31, up from 274 in 2006. The Wichita, Kan.-based Hawker Beechcraft Corp. said the Chinese business aircraft operator Deer Jet, one of China's largest charter companies, ordered two mid-size business jets last year.

The Brazilian plane maker Embraer recently signed deals with Indian and Chinese companies, while Cessna Aircraft Co., the world's largest manufacturer of general aviation planes, said companies outside the United States accounted for 53 percent of its total business jet orders in 2007, up from 48 percent in 2006.

Nicholas Chabraja, CEO of General Dynamics, told an investor conference on March 4 that the company is still trying to chart the long-term impact of the increase in overseas orders, but said "it looks like a structural change in the marketplace."

Private jets have become the travel method of choice for corporate executives who can afford them, cutting down on wait times and delays that affect commercial carriers. Corporations can either buy planes outright, or buy fractional jet shares to avoid shouldering the hefty price of planes that can range from a few million dollars to \$50 million.

Planes vary in size. There are those that can carry a few passengers. Then there are the larger jets with space for more than a dozen people, along with features such as plush seating and boardroom-like decor. Some of the biggest, such as the Global Express from Bombardier, have a range of roughly 6,300 nautical miles.

Commercial aircraft manufacturers have also entered the market. Boeing Co. offers converted passenger jets, such as the 737, for private use. The German carrier Lufthansa said Friday it will start its own private jet service this summer using mid-size jets bought from Cessna.

General Dynamics would not comment on speculation over its new jet, but the company plans an event Thursday at its Gulfstream facility in Charleston, S.C., that it said will affect "the future of the business-aviation industry."

Currently, the company's largest jet, the Gulfstream 550, can travel up to 6,750 nautical miles and carry a maximum of 19 people. The new jet, which analysts predict will be called Gulfstream 600, is expected to have a wider body and a range of more than 7,000 nautical miles, enough to make it from Los Angeles to Beijing without stopping. That would make it one the largest traditional private jets on the market.

The new plane would likely surpass the Gulfstream 550's roughly \$48 million price tag, said Richard Aboulafia, an aerospace analyst with the Teal Group in Fairfax, Va.

"The upper end of the market will pay any price and is the fastest growing part," he said.

Gulfstream will also likely announce plans this year to offer an upgraded version of its mid-size 250 jet, according to Joseph B. Nadol III, an analyst with JPMorgan. He wrote in a research note that international demand has helped create a four-year wait for planes at Gulfstream, and that the new 600 plane should take some pressure off the company's order backlog of \$12 billion.

While international demand is providing a boost, analysts say the prospect of a slowdown in the U.S. economy could mean corporations cut back on their executive travel to save money. But with overseas demand and the fact that jets are usually built for many years, longer than most business cycles, the sector should be able to weather a possible recession, Aboulafia said.

"It might be a tough sell," he said of a new Gulfstream plane's prospects in the next few years. "But

recessions don't last that long and a jet program lasts a quarter of a century."

Copyright 2008 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Portfolio.com © 2008 Condé Nast Inc. All rights reserved. Use of this site constitutes acceptance of our [User Agreement](#) and [Privacy Policy](#).