The New York Times
nytimes.com

September 25, 2007
On The Road

The Rest of the World Discovers the Business Jet

By JOE SHARKEY

A FEW years ago I was in Beijing, standing in Tiananmen Square gazing at the mausoleum of Mao Zedong. As long as you focused straight ahead, the view looked like the travelogues. But let your gaze wander, and you saw the neon signs blazing over nearby streets.

One great big red one read “KFC.” My reaction was mixed. Part of me thought, “So how do you like your cultural revolution now, Chairman Mao?” But the other part thought, “Oops, maybe this is not a good idea.”

With similar ambivalence, I note that the business jet, a phenomenon as over-the-top-American as the tail-fin Cadillac once was, is making major inroads around the world.

In its annual forecast, released yesterday in Atlanta at the National Business Aviation Association convention, Honeywell Aerospace reported that for the first time international buyers — led by Europeans — would account for slightly over half the purchases in business jets over the next five years.

The industry is expected to sell more than 1,000 jets this year, also a record. The sector is in the midst of a major global expansion, as cultural opposition to private jets wanes in Europe, as business generally expands around the world and as the weak dollar makes purchasing a private jet more attractive. Prices range from about $4 million to $50 million.

In Europe, cultural attitudes have long been hostile to business jets, given the association with vulgar tycoons flying their poodles to the Côte d’Azur. That has changed.

Part of the shift can be explained by the growth of NetJets. The company, founded by Richard T. Santulli and now a Berkshire Hathaway holding, started a European subsidiary in 1996. It sells fractional ownership of business jets and also markets per-hour flying in increments of 25 hours.

The European venture wasn’t an instant success, Berkshire Hathaway’s chairman, Warren E. Buffett, said in his annual letter to investors for 2006.

“After five years of operation there, we had acquired only 80 customers,” he said. “And by midyear 2006, our cumulative pretax loss had risen to $212 million. But European demand has now exploded, with a net of 589 customers having been added in 2005-6.” NetJets, he said, “is now operating profitably in Europe.”

In the business jet industry, where sales have been growing annually since 2003, Honeywell's annual forecast, considered a bellwether, is eagerly anticipated. **The forecast said that deliveries of business jets next year were expected to be around 1,300, or 300 more than this year.**

Rob Wilson, the president of Honeywell Aerospace's business and general aviation division, said he thought hard-nosed business decisions were driving growth abroad. A weak dollar against the euro is part of the reason, he said. But most of the European sales are because of the rapidly growing number of charter operations, rather than sales of company planes.

In Europe, he said, "a businessperson often has the need now to be in several cities or countries in the same day."

"Although ground transportation and air transport is efficient in Europe, this really opens up new waves of productivity for these people."

Business jets can fly into more than 1,000 airports in Europe, compared with about 100 airports for commercial airlines.

In Asia, sales are being driven partly by growing demand for trans-Pacific flights on long-range planes. Across the board, long-range business jets will account for more sales than any other segment of the market, Honeywell said. Over the five years of the forecast, the United States will take about 49 percent of deliveries; Europe 22 percent; Asia 15 percent; Latin America 10 percent; and the Middle East and Africa region 4 percent.

In a recent interview, Mr. Santulli of NetJets marveled at the vast wealth driving this growth. He also said that not all of the big long-range luxury jets, like Gulfstreams, are ferrying teams of executives across the seas.

"Take a wild guess. What do you think the most common city pair for our Gulfstream fleet is?" he asked.

"New York to L.A.?" I replied.

"Not even close. It's New York to Washington, D.C.," he said.