

Fly Right on Private Large Jets

You think your little corporate jet's impressive? Step aboard a private Boeing 767 or new Airbus 380 designed just for you. Fly right!

By Daniel McGinn
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Oct. 1, 2007 issue - For business travelers, the last few months have been the summer from hell—a time of endless flight delays, tarmac gridlock and overstuffed planes. But as so many frequent fliers have come to dread their next trip, the fortunate fliers who patronize Gore Design Completions can't wait for the next one. Gore builds customized interiors for the large jetliners that heads of state, corporate chiefs and billionaires have begun turning into private flying apartments. It's a rarefied business, but lately it's soaring. In the past three years, Gore has grown from 50 employees to 320. Revenue was just \$23 million last year, but is expected to surpass \$100 million in 2008. Today Gore's hangar is filled with five half-completed jets—and it's fully booked with work until nearly 2010. "We're about maxed out," says cofounder Jerry Gore. Aviation has always been a boom-and-bust business, but lately things have been looking up. In October Airbus will deliver its first A380, a gargantuan double-decker plane capable of ferrying 555 passengers nonstop from Los Angeles to Sydney. Later this fall Boeing will begin test flights of its new 787, a revolutionary jet made of carbon-fiber composites that Boeing promises will fly passengers longer distances more comfortably while using far less fuel than existing planes. Airlines are lining up to order both new jets.

Adding to the industry's boom times, the folks at the pinnacle of the world's economic pyramid have been digging deep to reinvent the market for private jets. Last year Google cofounders Larry Page and Sergey Brin hired Gore's team to outfit their own 767, complete with his-and-his staterooms, beanbag chairs and enough dataports to Web-browse in style. Boeing has already booked orders from a dozen wealthy folks who want to turn its new 787 (list price: \$150 million) into a private plane. Airbus has confirmed signing a contract to deliver an A380 (list price: \$325 million) to an unnamed "high-net-worth individual" (reportedly Russian oil oligarch Roman Abramovitz), and Airbus expects more billionaires to buy the VIP version of the plane, dubbed the "Flying Palace."

Customized jetliners aren't new. U.S. presidents began traveling on the first jet-powered Air Force One in 1962, and by the 1970s and 1980s, heads of state, rock stars and big-ego businessmen (including Donald Trump and Hugh Hefner) were buying used airliners to convert to private use. But until the mid-1990s, private planes the size of passenger jets were rare; instead, most tycoons preferred smaller jets made by Lear, Gulfstream, Bombardier and Cessna. That remains true today: the \$47.5 million top-of-the-line Gulfstream 550 can fly nonstop from Chicago to Hong Kong, and it remains the plane of choice for many CEOs and celebrities.

In the mid-'90s, though, the private-jet business changed course. Globalization forced more CEOs to make long transoceanic flights. Smaller jets can handle those distances, but most max out at just over a dozen passengers, leaving little room to walk around or sleep in an actual bed. In 1996, General Electric chairman Jack Welch suggested to Boeing chief Phil Condit that for about the same price as a Gulfstream, companies could buy a stripped-down 737 and outfit it as a business jet. Even Boeing execs were skeptical, and when the Boeing Business Jet division launched in mid-1996, it expected to sell only a few planes a year.

But within a decade, Boeing had delivered its 100th plane. Rival Airbus entered the niche in 1997, and this week it will announce its 100th order. And if you want to buy one, you'd better get in line

—both firms are booked solid through at least 2010. Smaller business jets still dramatically outsell the bigger models. **Over the next ten years, according to analysts at the Teal Group, together Boeing and Airbus will sell 126 jets to VIPs, compared with 12,000 business jets from companies like Gulfstream, Bombardier and Cessna. Still, over the next decade the analysts expect business jetliner sales to deliver \$6.3 billion in revenue to Boeing and Airbus—not to mention millions more to the half-dozen "completion" firms—including San Antonio, Texas-based Gore.**

The firm's founders, Jerry and Kathy Gore, had worked together in the 1980s at a local firm that helped outfit a 747 for Saudi Arabia's King Fahd. By 1990 the Gores had struck out on their own, customizing a jet for the NBA's Sacramento Kings. By 2000, they'd done airplanes for the presidents of China, Turkmenistan and Kazakhstan, but after 9/11, orders dried up and they nearly went bankrupt. By 2004 the couple had divorced but kept working together; by then their business had rebounded, and their customer base began changing. Thanks partly to the widening economic gap that's helped the rich get richer, and thanks partly to more people flocking to private aircraft to avoid security hassles, Gore's business shifted from being mostly foreign heads of state to include more companies and rich individuals. In an industry where every client requires confidentiality agreements, the Gores are tight-lipped about customers' identities. But last month, among the five planes in their hangar, one belonged to a Las Vegas-based corporation, one to a Korean company, and one to a New Zealander.

The Gores say their business is driven by their clients' desire for comfort. By the time the designers finish a plane, it may contain a stateroom or two, lavish bathrooms, plasma televisions, surround-sound audio, couches and reclining chairs. "It's like taking off in your living room," says Kathy. There are some things they can't provide: sorry, Jacuzzi tubs are too heavy for airplanes. (The Sultan of Brunei had one installed years ago, but its weight caused the plane's range, speed and fuel efficiency to plummet.) One customer wanted a gym, but Gore's designers worried heavy dumbbells wouldn't pass FAA muster, so they declined. Still, the company routinely fills planes with custom cabinetry, gold fixtures, videoconferencing systems and showers (some sized for multiple occupants). None of this comes cheap: completion bills run anywhere from \$15 million to \$60 million per plane, and that's on top of the \$50 million or more to buy a new jetliner from Boeing or Airbus.

As cushy as these large VIP planes can be, the companies making traditional business jets argue they make little sense. Sure, they're roomy, but a Gulfstream or a Bombardier can fly higher, more quietly and more reliably than a converted passenger jet, their manufacturers say. More important, traditional business jets' smaller size allows them to land at far smaller airports. If you want to fly to Teterboro, N.J., or Aspen, Colo., in a really large jetliner, says Gulfstream spokesman Robert Baugniet, you'd better plan on landing at a larger airport and hopping a connecting flight. "[These larger planes] defeat the whole purpose of true business aviation," he says.

That's particularly true, most industry players say, when it comes to the A380, which can land at only the world's largest airports and offers an interior measuring 5,900 square feet. "Why does anybody need anything that large?" asks Teal Group analyst Richard Aboulafia. Airbus product marketing manager David Velupillai responds: "We have seen a lot of interest in that aircraft [from VIPs], especially from the Middle East."

Skepticism over excess extends even to the smaller jetliners, particularly when U.S. shareholders are expected to foot the bills. "Ten years ago we really thought we could break into the corporate world," says Steve Hill, president of Boeing Business Jets. But though a Boeing isn't that much more expensive than a Gulfstream, corporate boards have been reluctant to sign on. "They say 'What would our shareholders think?' " Hill says, citing a stigma that's been hard to break.

Still, wealthy individuals (including Wayne Huizenga and Ron Burkle) who don't answer to shareholders are still buying, and some observers argue that companies' bias against jetliners is fading. Manufacturers have spent a decade touting the advantage of flying large project teams on bigger planes, where they can hold meetings or rehearse presentations en route.

The jet-as-business-tool philosophy has been further nudged along by private flying's most visible convert: Warren Buffett. For years Buffett (who is a director of The Washington Post Co., NEWSWEEK's parent) railed against corporate jets as an indulgence, but by the 1990s he was flying in a moderate-sized one himself. In 1998 he bought NetJets, a fractional-ownership jet outfit. Once you've flown private, Buffett wrote in this year's shareholder letter, "returning to commercial flights is like going back to holding hands."

Owners of big corporate jets say they make sense. Willie Gary is a Florida trial attorney who owns a converted 737. Beyond the comfort and convenience, he says the plane can help him sign up clients or negotiate settlements. "The plane makes a very impressive statement to anybody you're doing business with," he says. Lately Gary has been flying the 737 less, opting instead for a first-class commercial ticket to avoid high fuel costs. Still, he says, "it's paid for itself, big-time."

The bigger private jets also benefit from the trade-up factor that seems to afflict plane owners as badly as the yachting crowd. "Whenever someone buys [a jet], as soon as they buy it, they're thinking about what they're going to buy next," says Jeff Burger, executive editor of Business Jet Traveler. Indeed, Mike Harrah is reasonably happy with his Gulfstream IV, but he's currently debating whether to upgrade to a Gulfstream 550 or a Boeing Business Jet. Harrah, a California-based contractor and real-estate developer, recently flew 18 prospective buyers aboard his Gulfstream to visit a condo complex he's building in Hawaii. Thirteen of them bought condos worth a total of \$23.3 million. If he trades up to a preowned 737, he can carry at least 25 passengers, which should translate into even more business.

Much of the current buzz around these larger private planes stems from the purchase by the Google guys. The pair quietly bought their used 767 in 2005 for around \$15 million, but details about it surfaced in a 2006 lawsuit between them and a consultant involved in its refurbishment. The consultant claimed Page and Brin wanted the plane equipped with hammocks and were squabbling over the size of their bedrooms. Even now, nearly a year after they took delivery, the plane continues to make front-page news. Two weeks ago word leaked that the Googlers had cut a deal with NASA, which controls a government-owned airport a few blocks from Google headquarters, to put atmospheric-research equipment on the plane in return for letting them use the airport, which is far more convenient than the ones used by most of Silicon Valley's jet set.

At Gore, which handled the Google plane's completion, the owners say little about exactly what they put onboard. But they describe the plane as "very comfortable, very chic, not opulent"—and they dismiss talk about hammocks as "ridiculous." In all, the Gores say, the Google guys consider the plane "mind-boggling" and "wonderful"—and they're using it quite often.

That kind of enthusiasm means the Gores' hangar will likely remain full, at least for now. The glut of business has some observers worried whether a small company like theirs can handle the growth. "Companies can grow too fast and they create problems for themselves," says Doug Beckham, an industry consultant who represents a client with a jet currently being worked on by Gore. Beckham says the firm's deluge of contracts is causing some hiccups, though he's confident they'll be ironed out.

Still, in spite of the headaches, the Gores say their business is still mostly a lot of fun—with one notable exception. After their team finishes an airplane, the couple usually delivers it to the owner themselves, lounging amid the plasma TVs and luxury seating en route. Then, after they hand

over the keys, they face a grim reality: taking a commercial flight back to San Antonio. "It's hard," says Kathy. "It's quite a shock," says Jerry. Sort of like going back to holding hands.