

Corporate Aviation

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Sector looks for a shot of confidence

Global volatility is putting off buyers and deterring lenders yet the Brics do not hold the answers, write *Rohit Jaggi* and *Rose Jacobs*

Business aviation is a global industry in a holding pattern of uncertainty, caught in the fog of general economic malaise.

"It's been a sequence of dashed expectations, and delayed and false recoveries," says Richard Aboulafia, vice-president for analysis with the US-based Teal Group aviation consultancy.

"The macro numbers have been great but global volatility forestalls confidence and this industry needs confidence – both to get people to buy and to get banks to lend."

The schism in the private-aircraft sector that emerged after the global economic downturn hit corporate aviation, with big jets selling well and sales of smaller ones generally taking a dive, is still in evidence. "If you're in the top half of the market you're somewhat insulated from the horrors of it all," says Mr Aboulafia.

Many manufacturers are still placing their faith in emerging nations – particularly the Brics countries of Bra-

zil, Russia, India and China – to lead the way out of the gloom.

But Kansas-based Hawker Beechcraft had its expectations of a Chinese rescue dashed this month, with the failure of talks for Superior Aviation Beijing to buy the company.

And as Mr Aboulafia says: "The Brics are not the salvation of the world economy." He places his hopes instead in the equipment replacement cycle in North America, still the single biggest business aviation market.

But double-digit growth for the business aviation sector is still some way off, he says. "We're expecting 6 per cent growth by value this year and next year – but a lot of that is the Gulfstream G650 pumping up the numbers – and barely double that, at 12 per cent, in 2014."

Patience has been a necessity in the corporate aviation industry over the past five years. After the credit crunch and recession dented business and general aircraft traffic by 30 per cent, leading to a nadir in late 2009, the next year and a half sug-



Uncertain path: search for a route out of the downturn continues

Dreamstime

gested a slow but steady bounceback.

But since last summer that growth has levelled off, keeping analysts from any firm predictions of recovery – even after an order in June for up to 425 aircraft by NetJets, the leading fractional jet ownership provider, owned by Warren Buffett's Berkshire Hathaway.

The order, worth up to \$9.6bn and described by NetJets as the biggest deal in the history of private aviation, comprises firm orders for 100 mid-sized aircraft from Bombardier of Canada, with options for 175 more, and firm orders for 25 Citation Latitude jets from Kansas-based Cessna with options for 125 more.

"Warren's time horizon is somewhat longer than mine," says one City analyst. "He's not taking a 12-month view – it's more a case of having confidence that things will eventually get better

'We thought this year would be better but it hasn't been and I fear next year we will say the same'

and there will eventually be some growth." He argues that Mr Buffett saw an opportunity to buy aircraft relatively cheaply, not that he is calling the bottom of the market.

Indeed, global sales of new and used jets have yet to recover after plummeting in the second quarter of 2008. Manufacturers delivered 1,200 new business and private aircraft in 2008. In 2009 the figure was just 800. So far this year they have managed 444.

"We thought this year would be better, but it hasn't really been, and I fear next year we'll probably be saying the same," says Daniel Hall, an analyst with aviation consultancy Ascend.

Cessna, the biggest manufacturer of business jets by volume, delivered 41 new aircraft from its Citation jet line-up in the third quarter of this year – down from 47 in the same quarter last year. But revenues in the three-month period rose \$7m because of higher used-aircraft sales.

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Corporate Aviation

Mixed fortunes for jet buyers

Finance

There is a divergence between loans for big and small aircraft, says *Rose Jacobs*

Optimism is growing in the private jet world that the financiers who disappeared after the credit crunch and began resurfacing in earnest only last year may soon be abundant enough to drive prices down.

"I'm getting calls from banks now as opposed to having to call them," says Aoife O'Sullivan, a lawyer with aviation solicitors Gates and Partners. "They're even competing on basis points. We just did a deal for 2 points above Libor [the interbank lending rate]."

That, she says, would have been unheard of even five or six months ago.

But fortunes are mixed, with buyers in the US finding it easier than their overseas counterparts to access reasonably priced loans, and with money for bigger, longer-range aircraft easier to come by than financing for light and very light jets.

Regional differences are diminishing, thanks both to local liquidity increasing and to western banks adjusting their views of repossession risk. Tracy Cassil, senior vice-president of global finance at Cessna's financing arm, observes that in Latin America – and particularly Brazil – local lenders are offering more affordable deals: "I see incredible availability there," he says.

But the diverging experiences of small-aircraft and larger-aircraft buyers remain. This comes down to two factors. First, the valuations of smaller aircraft took a worse tumble post-credit crunch than those of

the bigger models, leaving some lenders particularly fearful of that market. Second, the sheer scale of a deal can have an impact, with middle men aware they will make more money on bigger transactions.

"It's a capacity issue," says Jay Heublein, vice-president at Nextant Aerospace, which refits light jets with new engines and more aerodynamic fittings. "There's a limited number of dollars out there right now and if you're a banker, and you have the opportunity of doing one \$50m deal or 10 \$5m deals, where are you going to migrate?"

For the bigger deals, Ms O'Sullivan is seeing interest from alternative investors, including private equity groups and even one US pension fund.

"You're looking at returns of 8 to 9 per cent for an average term of five to seven years," she says, underscoring the appeal of corporate aircraft to both types of investor – provided the industry can reassure lenders on risk.

Leasing companies are meanwhile stepping up their presence at corporate jet conferences, suggesting an interest in expanding their activities in the sector, from mostly finance leases to include the area of operating leases.

Still, cash remains traditional lenders' biggest competition, with 60 per cent of private aircraft purchases paid for upfront by rich individuals or companies with strong balance sheets, according to Paul Sheridan at the consultancy Ascend.

Mr Heublein questions how necessary alternatives will be, as traditional lenders warm to private jets once again. "The money's going to flow to the bigger deals first, and when the market starts to get better, it will trickle down."

Rockin' and flying all over the world

Charter Music stars reach for the skies as demand for live performances increases, writes *Duncan Robinson*

Rock stars and private aviation do not always mix well. Buddy Holly died after his chartered plane crashed in Iowa in 1959, with Jiles P Richardson – known as the Big Bopper – and Ritchie Valens. Lynyrd Skynyrd lost a lead singer, guitarist and backing vocalist when their chartered flight ploughed into a swamp in 1977. You could forgive superstitious rockers for avoiding private air travel.

Now, however, rock stars are flocking to the skies as demand for live music rockets. With CD sales down by half since 2004, bands need to find new sources of revenues – and fast. Touring has plugged this gap. "We have definitely seen an increase in touring," says Alex Berry, sales and marketing director at Chapman Freeborn, the aircraft charter company.

Pragmatism, not luxury, drives the demand, however. "The reality is, a big touring band couldn't make their tour schedule without having complete control of the aircraft," he says. Bands on tour now perform more dates, and itineraries have become sparsely crowded that chartered aircraft are one of the few ways to complete them.

Chapman Freeborn has been flying band tours since the 1970s. "One of our first big clients was the Rolling Stones," says Mr Berry. Today, the company does more than 40 tours a year, taking care of the travel arrangements for bands such as Coldplay and the Eagles.

Other industry players are muscling in on the trend. Air Partner, the publicly traded private aircraft group in the UK, has explicitly chased business in the sector, working with acts such as Carlos Santana, the guitarist.

"It's true we've seen an increase in the business that we're doing in the segment," says Phil Mathews, president at the group. "That's down to a more aggressive sales approach – we're targeting the sector."

The cost of a chartered flight – compared to a tour bus – is reasonable when put against the convenience, says Patrick Margetson-Rushmore, chief executive of London Executive Aviation, an operator that does about a dozen tours a year.

A day return on a medium-sized aircraft, such as an Embraer Legacy 600, will cost approximately £20,000, and



Group booking: Keith Richards and fellow Stones Ronnie Wood and Charlie Watts
Reuters

will fly about a dozen people.

"You can leave your tour date – you don't have to stay in the hotel – and fly to your next destination," says Mr Margetson-Rushmore.

"You've saved a day. It's an extremely cost-effective method of moving people around."

However, while the figures add up for a band filling stadiums across

Europe, less established bands should not get their hopes up.

"If you're doing Halifax town hall, you're going to be on a bus," says Mr Berry.

"If you're going to Rome and Barcelona, there isn't any other way to get from one place to another."

The combination of dozens of cities, a tight schedule and a large amount

of equipment mean that organising transport on tour is not easy.

"These aren't simple trips, they're logistically complex," says Mr Mathews. "You're doing a lot of flying in a short space of time – you can't have delays between concerts."

The touring industry is close-knit and gossipy – reputations can take a generation to build, but only one missed concert to destroy.

"We have relationships that are 40 years old," says Mr Berry. "Reputation in the industry is hard earned. If a band misses a show the liabilities are enormous."

Jet companies are reluctant to brag about what clients they fly. Discretion is the watchword of the industry and slightly trickier to maintain for the lead singer of a band than your typical FTSE 100 head.

"Reputation in the industry is hard earned. If a band misses a show the liabilities are enormous"

Mr Berry says: "Nobody really knows who the chairman of a big corporation is, but everyone knows the lead singer of Coldplay."

Discretion is not needed to cover for tales of orgiastic debauchery, however, which are far less frequent than folklore suggests.

"The demands for alcohol are much less and the demands for green tea and sushi are much more," says Mr Berry. "Bands are required to perform at a very high level all the time. They can't afford to live the life they used to."

The days of pernickety riders and diva demands are also a thing of the past, with rock stars being no more difficult than typical customers.

"Are [bands] more demanding?" asks Mr Margetson-Rushmore. "The answer is no. They love what they're doing. They come off tired and elated. They may have specific requirements, but there are few prima donnas. But you get those in all sectors, whether lawyers or bankers."

Private trend Rising demand for air ambulance and search and rescue services

The UK's plans to privatise its entire helicopter search and rescue (SAR) service this spring have focused attention on the industry's growing value to the private sector, writes *Rose Jacobs*. But another area where aviation and medical services overlap is also quietly proving itself a growth market: the provision of air ambulance services and aircraft.

The same drivers of growth for SAR – from rising prosperity in developing countries to austerity-driven privatisation in developed ones – are pushing air ambulances forward. But the smaller market also benefits from unique trends, including the move by insurance companies to add air ambulance to their list of services, and the demand of businessmen and women to be promised air ambulance access when abroad.

Ascend, the aviation consultancy, puts the global emergency medical service (EMS) helicopter ambulance fleet in 2012 at 1,958 aircraft, compared with 1,577 five years ago. The fixed-wing EMS fleet, though smaller, has grown even faster – by 40 per cent since 2007, to 575 aircraft, Ascend says.

Chris Wills, senior aviation analyst, predicts the 5 per cent average annual growth for EMS helicopters of the past five years will continue, with Asia and Europe leading the way. And he points out that the order backlog "in 2007, during a significantly positive economic growth phase, was only 13 aircraft higher than the current firm backlog of 148".

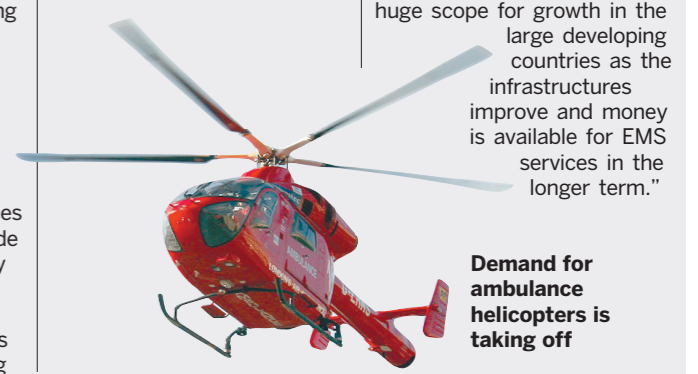
Manufacturers see chances to both ride this market-wide growth and spur it along by offering new products. Jay Heublein, vice-president of Nextant Aerospace, says his company's tactic of refitting

old Beech jets to increase speed and range gives operators a chance to run the same air ambulance services as bigger planes, but at a steeply reduced price. He says the refits increase the range of Hawker Beechcraft light jets by 50 per cent.

"Globally, one of the biggest requests we're getting from fleet operators is for platforms that can serve as an adequate air ambulance," he added.

Demand has been strongest from Asia, with South Africa and Australia following at some distance behind.

But that is not to say developed economies are a lost cause. Avincis Mission Critical Services – whose Bond Aviation Group is bidding to run UK SAR – has established its headquarters in the UK, hoping to capitalise on privatisation in Europe. And Mr Wills sees growth there, too: "There is huge scope for growth in the large developing countries as the infrastructures improve and money is available for EMS services in the longer term."



Demand for ambulance helicopters is taking off

Industry looks for a shot of confidence

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Brad Thress, senior vice-president for Cessna's business jets division, says he is seeing "a great deal of interest in the Citation Latitude, particularly from customers who already own or operate a midsize Cessna Citation and are planning their future purchases, and we expect further orders in 2013. The major order from NetJets for up to 150 Latitudes is a significant endorsement."

Some fear, however, that the NetJets purchase may actually harm some parts of the industry. Most manufacturers take buyers' old jets in as part-exchanges.

When NetJets bought replacements for their Gulfstream IV and IV SPs about a year ago, the old aircraft flooded the second-hand market, causing values to crash. That could well happen again if the new order prompts the company to cast off midsize models such as Citation X or Falcon 2000.

The fractional operator insists, however, that its disposals will be phased to make sure the second-hand market, in which prices are

starting to recover, is not overwhelmed.

BBA Aviation, which operates jet centres and counts NetJets as its biggest customer, says it does not see a recovery on the horizon. But Simon Pryce, chief executive, argues that "medium-term indicators continue to support the exciting growth potential in our markets".

He is not alone in his assessment, but observers are split about what sign will suggest the long-awaited recovery has arrived. In the US, corporate profits tend to be a leading indicator; in the developing world, GDP growth. Mr Hall for one does not think the aircraft market will pick up until banks and other lenders become more willing again to finance purchases.

Other analysts say a vicious circle has developed, since lenders need to see a glut of aircraft on offer cleared before fully embracing the market again.

Cessna's faith in China helping to lead the sector into recovery is supported by the company's forecast that the country will be one

of the top 10 nations for business jet ownership by 2025. Plans are progressing to build Citation Latitude and Sovereign jets, as well as the turboprop Grand Caravan, in China for the Chinese market. Details of other joint ventures are expected soon.

Gulfstream, the Georgia-based jet maker, says its large-cabin, long-range aircraft are becoming increas-

'Every new [airport] security measure pushes people to private jets'

Daniel Hall, Ascend

ingly popular in emerging markets and growing economies such as the Brics nations and on the African continent.

The City analyst points to a divergence in two measures of the industry's health – the number of private-aircraft movements in the US, and the number of aircraft registered. The latter is at an all-time

high, suggesting there are owners not flying – but who might start, should the economic picture brighten.

"Every new [airport] security measure pushes people towards private jets," he says. "Every extra charge by an airline pushes people towards private jets."

Mr Abouafia is optimistic. "People are being conservative. But when everyone decides there are opportunities, everyone tends to re-equip to get in on the act. And remember – up-cycles tend to be as sudden and volatile as down-cycles."

Issues such as tighter regulation, environmental impact and high costs – direct operating costs for the Global 5000 and 6000 from Bombardier, for example, are about \$4,000 per hour – continue to cloud the prospects for corporate aviation.

But Darren Grover, chief operating officer at London's City Airport which offers quick access to the UK capital's financial centres for private jet passengers, argues an upturn in the sector is inevitable. "For business people, time is everything," he says. "We're selling time."



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Corporate Aviation

Size matters in two-speed global market

North America Change in the marketplace is as much about economic demography as it is about the size of the aircraft, says *Robert Wright*

The corporate jet sector has turned into a two-speed market, with the divide marked by size of cabin. Corporate bosses in Russia – who need larger aircraft with longer range – are growing used for the first time to the idea that they could own jets and have a prospect of gaining landing slots for them at the country's key airports. China has started to open up its airspace as well.

However, in the US things are different, and the change can be traced to the day in November 2008 when the chief executives of Ford, Chrysler and General Motors travelled to Washington to ask for state help for their stricken companies. They flew by corporate jet. It was a decision those involved can barely have paused over, given the corporate jet's long-term centrality to travel for most bosses of big US companies. But the controversy that erupted over the flights – against the background of their employees' hardship – marked the start of an era when purchases of new corporate jets became far harder to push through company boards.

According to research by Jason Gursky, analyst at Citi, deliveries of small-cabin aircraft – the kind US executives would use for travel inside the country – fell 57 per cent between the first half of 2008 and the same period of 2012. But deliveries of long-range, large-cabin aircraft – useful for flying from New York to Moscow or Shanghai – are down only 23 per cent. Brant Dahlfors, vice-president sales for Canada's Bombardier Business Aircraft, says demand related to emerging markets is driving the demand for larger aircraft.

"Bosses in the United States need to



Taking off: Gulfstream's G650 is at the centre of a tussle with Bombardier's Global Express

Gulfstream Aerospace Corporation

get to those emerging markets and the wealth creators in those emerging markets want to go out and explore the world," he says.

Brad Thress, senior vice-president of business jets for Cessna, North America's largest supplier of light and midsize jets, says the small and medium-sized companies that account for many of Cessna's customers are in less robust shape than customers for the biggest jets.

"They were much more affected by the economy and became more conservative," he says. "[The change in

the market] is as much about the economic demography as it is about the actual size of the airplane."

The market conditions mean there is intense competition to produce the most all-round competitive long-range business jets to minimise time executives spend in the air.

The key tussle is between Bombardier's Global Express aircraft, the first aircraft family to open up truly long-range business jet flights, and the largest, fastest jets from Gulfstream, part of General Dynamics. Gulfstream's G650, which received

its safety certification from the US's Federal Aviation Authority on September 7, has a maximum speed of Mach 0.925 (92.5 per cent of the speed of sound), making it the fastest business jet of its size.

Mr Dahlfors of Bombardier insists the new Gulfstream merely puts its product in the same category as the Global Express, whose normal maximum operating speed of Mach 0.85 is the same as that of the Gulfstream. Bombardier plans to counter with two still longer-range, high-speed aircraft, the Global Express 7000 and 8000, due

to enter service in 2016 and 2017 respectively.

"They're catching up," Mr Dahlfors says of Gulfstream. "I don't think it's going to eat into our market share."

At the market's smaller end, meanwhile, manufacturers are seeking both to compete higher up the price range and to manage excess capacity.

Cessna's forthcoming long-range Latitude and Longitude models are pitched as cheap options for existing customers to increase their jets' range, says Mr Thress. The Longitude will cost around \$24m, against at least

\$34m for other aircraft of similar size and range. Cessna's Citation 10 also claims to offer a higher top speed – Mach 0.935 – than either the Global Express or the Gulfstream G650.

"We think we bring a unique value proposition that will make [the Longitude] a nice move up for people coming out of midsize," Mr Thress says.

In the smaller-size jet market, however, many observers believe the industry remains hobbled by the fierce competitiveness and low prices of an industry with too much capacity to build light jets.

Jay Heublein, vice-president of Nextant Aerospace, which markets cut-price jets built around the frames of old Beechjet 400 aircraft, says: "If you don't have a product that offers significant innovation, clearly in this market you're going to suffer."

Mr Thress insists, nevertheless, that the problem is now "correcting itself".

Many observers use the historic link between company profits and jet demand to justify their hopes that current robust US corporate profitability will soon produce new orders. But much of the optimism could be misplaced. Mr Gursky argues in a recent research note that the previous link may have broken down. The past decade's ordering binge ran faster than profit increases, while in 2010 and 2011 orders have failed to respond to improved profits.

Mr Thress is hopeful, however. Even the European market – hit by the eurozone crisis – has been "pretty strong", albeit not as strong as at the height of the boom.

As for North America, he says: "I think we'll see [it] leading the sales growth and growing margins back to where they were in 2008 and 2007."

Industry expects jet division to be grounded

Hawker Beechcraft

Robert Wright says company will focus on propeller aircraft after its bankruptcy

The mid-western town of Wichita, Kansas, may be nearly 1,500 miles from the offices of New York City's financiers. But the story of Hawker Beechcraft, headquartered in the town and the industry's highest-profile victim of the falling demand of recent years, is a powerful parable of the past decade's financial excess.

The manufacturer – whose range runs from piston-engined propeller aircraft and midsized jets to military attack aircraft – was buoyed for much of the past decade, like other corporate jet makers, by the lending-fuelled boom in corporate aviation demand.

However, it struggled during the industry's downturn to service the \$2.2bn debt that two private equity funds – Goldman Sachs Capital Partners and Onex – took on in 2007 when they bought the company from Raytheon, the military contractor, for \$3.3bn.

Hit by the double burden of servicing the debt and declining orders, the company finally sought Chapter 11 bankruptcy protection in May.

The question is, how many of its activities will have a future when it emerges from bankruptcy, probably in the first quarter of 2013.

"On the jet side, they're struggling," a close observer of the corporate aviation scene says. "They're playing in a very competitive environment."

The King Air piston engine division of the former Beechcraft piston and turboprop company remains strong, however.

"It's still a very economical, reliable, practical aircraft for simple passenger transfers," the observer



Balance: Bill Boisture

adds. "It doesn't really have a competitor."

The company had to match its capacity and costs to the demand for its products, says Bill Boisture, Hawker Beechcraft's chairman.

"We worked hard to get the costs down and to get our production balanced with what the market would absorb – but, frankly, absorb at prices lower than we would have charged in 2007 and 2008," he says.

The company struggled to restructure and was eventually forced to seek Chapter 11 protection, through a deal with four lenders that provided financing. The company entered the process expecting to focus primarily on the King Air fleet, according to Mr Boisture.

But a search for potential buyers discovered interest from Superior Aviation Beijing, an aircraft maker 40 per cent owned by Beijing's city government, which was potentially keen on keeping the whole business going.

"Superior's [proposal] was significantly stronger than the others," Mr Boisture says. "We elected to go into an exclusive process with Superior, which meant they would negotiate with no one else and we would negotiate with no one else."

Yet a sale to a Chinese company presented significant challenges – including the separation of the military division, which Hawker Beechcraft expected not

to be allowed to sell to a Chinese company. The problems eventually proved insurmountable and Hawker Beechcraft announced on October 18 that talks had ended without a deal.

"It's a complex transaction – government approvals on both sides – and we were unable to successfully reach a deal," Mr Boisture says.

The breakdown of talks leaves the jet division's future again uncertain. Mr Boisture says the company is undertaking a "short and focused effort" to examine strategic alternatives for the division. But it had previously said failure of talks with Superior would almost certainly mean closure of the jet production lines. The company has said it plans to call itself Beechcraft – the name of the turbo-prop and piston-engined business – on leaving bankruptcy.

Ascend Worldwide analysts note that, having delivered 246 aircraft in 2009, the Hawker jet division has delivered only 88 so far in 2012. The fall has almost certainly been exacerbated by would-be customers' concerns about the company's future ability to honour warranties.

Mr Boisture point out, however, that the Hawker 900 – the best-selling business jet ever – remains popular with some customers. "I think there's a possibility of a future there for the right buyer," Mr Boisture says. Yet, with competitors struggling with the excess capacity and weak demand that helped to force Hawker Beechcraft into a crash landing, most observers expect the jet division to close. The company will emerge as a maker of propeller-driven aircraft, centred on the King Air fleet's renowned ability to withstand even the most punishing of environments.

"It's good and reliable and able to operate in a lot of the developing markets that cannot support more complex, complicated equipment," Mr Boisture says.



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Corporate Aviation

Fleets grow as business travel becomes a necessity

Latin America Region is one of world's most important markets, says *Samantha Pearson*

Brazilian companies are increasingly turning to executive jets – although the slowdown in growth of the country's economy casts a cloud over prospects.

The trend to use of jets is helped by the geography of the country and the markets its businesses aim to serve.

Short trips to Europe and the US are becoming a necessity for more

executives in the country. Air travel is also obligatory just to do business across Brazil, a country roughly the size of Europe.

"Private jets are not luxury goods – they're work tools," says Marco Tulio Pellegrini, vice president of operations at the executive aviation division of Brazil's Embraer, the world's third-largest commercial aircraftmaker.

"They allow you to do more busi-

ness, to visit two or three cities in the same day in Brazil."

Brazil's emergence as the world's sixth-biggest economy, combined with the continental proportions of the domestic market, has made the country an attractive destination for business aviation, offering a vital source of revenue to an industry struggling with the global economic crisis.

As well as fuelling demand for new

aircraft, Latin America has played an important role in the pre-owned market, absorbing a large number of jets from the US and European operators.

Aside from Brazil, countries such as Mexico and Colombia are also becoming increasingly important markets for manufacturers and operators.

According to Flightglobal's 2012 census of the industry, there are now just



'Private jets are not luxury goods – they're work tools'

Dreamstime

over 2,000 executive jets in operation across Latin America – almost 12 per cent of the worldwide fleet.

While the US still boasts the highest number of jets in operation, Brazil and Mexico are vying for second place.

"The limited number of cities in Brazil served by commercial airlines means there is a lot of interest in Brazil," says Mr Pellegrini.

While commercial airlines only reach about 500 airports in Brazil, business aviation covers 10 times as many destinations in the country, Embraer says.

Frequent delays at Brazil's overcrowded airports also make private jets an attractive option even for some of the most well-travelled routes, such as the hour-long flight between São Paulo and Rio de Janeiro.

As a result, Brazil and the rest of Latin America have also become one of the most important markets for foreign manufacturers such as US-based luxury business jet maker Gulfstream.

After selling its first new aeroplane in Brazil in 2002, Gulfstream has gradually increased its presence in the region, expanding its fleet from 58 aircraft in 2006 to 152 this year.

During that period, Gulfstream's Brazilian fleet has more than quadrupled to almost 40 aircraft.

Large-cabin, long-range aircraft are becoming increasingly popular in the region as Latin American companies and businesspeople extend their reach across international markets.

Gulfstream's G150, which can seat up to eight passengers and recently broke a city-pair speed record on a flight from Tel Aviv to Geneva, and G280, which seats up to 10, are partic-

ularly popular in Brazil, the US company says.

Operators of executive jets in the region have shown strong growth. Tam Aviação Executiva, part of Brazil's Tam group but owned by the country's Amaro family, expects extensive civil construction projects around the country over the coming years to fuel demand for their services.

The company, which has a partnership with the US aircraft maker Cessna, now has 50 per cent of the country's executive jet market and reported sales of \$230m last year.

"Since these big projects will be carried out in different corners of Brazil, Tam AE has the conditions to meet the demand for jets that will support this new cycle of Brazilian infrastructure construction," says Fernando Pinho, the company's chief executive.

Líder Aviação, which was set up in Brazil in 1958, is also growing fast. The company has a fleet of 90 aircraft, over 2,000 employees and operates from 19 of the country's airports.

However, the growth of the industry's manufacturers and operators in the region over the next few years will depend on the strength of Latin American economies themselves.

After expanding 7.5 per cent in 2010, Brazil's economy, one of the key drivers of the region's growth, has slowed sharply over the past year, casting doubt over the development of regional business aviation.

"There is a very strong relationship between the health of the macro economy and the number of deliveries, or volume of sales, in the executive aviation industry," says Embraer's Mr Pellegrini. "This is true in any region in the world, including Latin America."



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Manufacturers in race to meet need for speed



Rohit Jaggi

easy, and even simple things, such as superimposing range lines on to the computer-generated topography displayed to the pilot, took a great deal of guesswork out of flying.

Looking east

For an industry that sells itself on shaving off time spent in transit, speed is a big deal. The top speed race between old Cessna and rival US aircraft-maker Gulfstream has been settled, but velocity addicts are still awaiting deliveries of the fast jet set.

Cessna's Citation Ten, which keeps the speed crown currently held by its predecessor Citation X model with a maximum cruise speed increased to Mach 0.935, is on track for certification and deliveries in the second half of 2013, the Kansas company says.

Gulfstream's speedy G650 ultra-large-cabin, ultra-long-range business jet received its type certificate last month from US aviation regulators, and first deliveries will go to customers before the end of this year. The Georgia-based company has orders for more than 200 of the \$64.5m aircraft, with 17 completions expected before January.

The G650 had threatened Cessna with its top speed of Mach 0.925 until the Kansas company hit back. Gulfstream claims instead the title of most advanced flight deck in general aviation, including fly-by-wire controls, visibility-enhancing systems and advanced weather radar.

Ironically, given the focus on safety features, the US National Transportation Safety Board this month increased its criticism of the circumstances that led to a fatal crash during G650 testing at Roswell, New Mexico, in April 2011, citing pressure to keep to a certification schedule. The aircraft-maker says it has, since the accident, "redoubled its efforts to strengthen the safety culture in flight-test and throughout the company".

The safety benefits from improved navigation, control and vision systems have already cut accident rates across aviation by huge margins – and further improvements are on offer.

Such benefits are also on offer further down the speed chain. I sampled the Honeywell SmartView Synthetic Vision System piloting a rather slower Pilatus PC-12 – maximum cruise speed about 280 knots – around the mountains of Switzerland this year and the improvements in situational awareness were startling. The system made normally challenging steep approaches to tiny strips deep in the Swiss valleys

Cessna, the world's largest maker of business jets by volume, could be excused for being a touch more confident than this time last year. The NetJets order in June for up to 150 midsize Citation Latitudes – 25 firm and 125 options – marks a return to ordering products from the Kansas-based company, after a previous big order from NetJets went to Brazilian rival Embraer for its Phenom light jets.

The Latitude is expected to make its first flight in 2014, with certification and first deliveries in 2015.

Brad Thress, senior vice-president of the business jets division, says its range of 2,500 nautical miles will be key to its popularity.

The Citation Longitude, with a range of 4,000 nautical miles, is expected also to win interest from newer markets where range is highly prized.

Lower down in the size stakes, the Citation M2,

Improved safety benefits are also on offer much further down the speed chain

bigger brother of the light jet Mustang, is expected to be certified in the first half of 2013, with deliveries due in the second half of the same year. Cessna says global interest is strong, particularly in markets in Europe and Asia.

Cessna is also pursuing opportunities in China, which it forecasts as being in the top 10 of business jet markets within 13 years. It is on its way to producing the Sovereign and Latitude jets for sale in China, as well as the turboprop Grand Caravan.

Hawker Beechcraft's Chinese adventure, which ended this month when its planned deal with Superior Aviation Beijing collapsed, shows that China's promise can be limited. Richard Aboulafia, vice-president for analysis at the Teal Group aerospace consultancy, says co-building does not guarantee market access, and is sceptical about emerging nations' ability to transform the sector's fortunes.

But with the US market still waiting for a sight of the approach lights that herald a tidy recovery, failing to look east would be a mistake.