

New Moguls, New Jets

The ultra-rich of emerging markets are snapping up private jets

By Charles Alcock

IT'S WHEELS-UP IN EMERGING MARKETS. WITH ECONOMIES booming in China, India and Latin America, those countries are fast embracing the ultimate symbol of American moguldom, the private jet. And that is shaking up the industry: North America last year accounted for just 42% of deliveries of new private jets, down from 54% two years earlier, sending U.S. jet makers racing to learn Mandarin, Hindi and Spanish.

Stanley Ho, the Macau casino tycoon, set the pace last year when he dispatched his jet on a 3,200-mile round trip to Singapore to fetch some of his favorite type of fruit, the durian. The fruit, about the size of a football, is so pungent that it's banned from commercial airlines. Ho's crew dutifully loaded 88 pieces—eight is a lucky number—and flew them home to the boss.

As in the U.S., Gulfstream is the brand of choice in China, holding 37% of the market, according to consulting firm Firestone Management. Next comes Cessna, with 21% and Bombardier with 18%. Hawker Beechcraft and Dassault also have been making inroads, and Airbus and Boeing are both represented.

The new buyers in China and other Asian markets look willing to buy relatively small planes, which should accelerate the buying. In Thailand, Luzi Matzig, CEO of tour operator Asian Trails, and Soonthorn Metal Industries Vice Chairman Supap Puranitee each have bought a Cessna Citation Mustang light jet.

In all, the Asia/Pacific region accounted for about 12% of the 763 private jets delivered worldwide last year, up from about 5% in 2008, according to the U.S. General Aviation Manufacturers Association. Latin America took 14% of the planes, up from about 9% in 2008; and the Middle East and Africa, 9%, up from 6%. Europe dipped slightly, to 23% of deliveries versus 26% two years earlier.

Yes, private aviation is still in its infancy in these markets. While the U.S. is home to 10,861 private jets, China so far has less than 200, India even fewer. But in contrast to what has been a declining market in the U.S. since the



The Gulfstream G550 is proving to be a big hit in the Asia Pacific region. Fast and comfortable, it delivers the intercontinental range required by the area's business elite.

financial crisis hit in late 2008, demand in the emerging economies has been increasing rapidly and may be on the cusp of exploding.

Just look at the potential. China's latest Hurun Rich List shows no fewer than 875,000 multimillionaires in that country, up 6% from last year. And there are some 200 billionaires, the report says. These are exactly the kind of people who can afford a corporate jet, which might run anywhere

from \$2 million to \$80 million.

Many of the new buyers in emerging markets are so eager for takeoff that they are haggling little, if at all, over price. "Typically a buyer in Asia or the Middle East will pay more than one in the U.S.," Kirsten Bartok, vice president of sales financing at Hawker Beechcraft, said at a recent conference. In the U.S., some manufacturers have

had to cut prices by as much as 25% to move the metal.

The new markets, however, do present some clear challenges. In India, there is legendary bureaucracy and ramshackle airport infrastructure. The revolutions in the Middle East may put a damper on private aviation in those markets. In Egypt, for instance, wealth is concentrated in the hands of just 1,000 families—and many of them were close to deposed President Hosni Mubarak, says Salwa Ismail, a professor at London University's School of African Studies.

Then there is Russia, where rising demand for corporate jets has been thwarted by punitive tariffs on foreign-made jets. That's all the worse because Russian manufacturers have yet to produce any true private jets; the only things close have been some converted commercial planes. For now, at least, many of Russia's new jet set are expatriates, residing in locations such as London or France's Côte d'Azur. Billionaire Roman Abramovich is a prime example. he is reported to flit between business and personal interests around the world in a VIP-configured Boeing 767. Kirill Minovalov, CEO of Russia's Bank Avangard, flies himself around in a Cessna Citation.

Despite the obstacles, jet manufacturers are determined to press ahead. In fact, they may soon move well beyond the big emerging markets. Eddy Pieniazek, global head of consultancy with Ascend, is pointing the industry to markets as diverse as Indonesia, Nigeria, South Africa and Vietnam. Ho Chi Minh must be turning in his grave. ■