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Asia business jets ready for takeoff

By Muhammad Cohen

MACAU - Private jets in Asia are ready for takeoff. At least that's the word from the two day Asian Business Aviation conference and exhibit in Macau last week. More than a dozen business jet manufacturers, leasing and charter companies were on hand showing their wares from the Cessna XLS+ and Hawker 700XP that can seat eight in boardroom comfort to the larger Embraer Lineage 1000 and Gulfstream G550.

Aviation companies see opportunities across the region, from India to Indonesia, but the Macau event focused on greater China, and participants said they weren't disappointed. "We didn't see that many people, but we saw the right people," Dassault Falcon vice president for international sales Jean Michel Jacob reported. "We haven't seen foreigners here."

Economic growth drives interest in business jets, which cost from

around US\$10 million to \$85 million for standard models. Asia has been leading the world in economic growth for a decade, and has particularly come into focus since the global recession of 2008. The US market for business aircraft was hurt by the economic downturn with an added blow coming after automobile company executives used their corporate jets to come to congress to ask for a taxpayer bailout, drawing ire from politicians.

"If you look at our numbers, the US grew 2%; Asia grew 15% ," Gulfstream international sales vice president Roger Sperry said. "As the economy grows here, numbers will grow right along with it."

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ONLY YOU CAN PREVENT WILDFIRES.



Club class

The show targeting business jet end users, including corporations, governments - whether presidential planes or aircraft for special missions from surveying to medical teams for disaster relief - and wealthy individuals. With entry level business jets at \$10 million and at least another \$1 million or more in annual operating costs, it's not a club just anyone can join.

Executives note that there's vast room for growth across Asia. In the entire Asia Pacific region, there are about 600 business jets, according to Airbus corporate jet marketing director David Velupillai, about half of them in East Asia and fewer than 100 in greater China. For comparison, the US has 11,000 business jets, but even Brazil has 1,000.

Across Asia, headwinds against growth include government restrictions, such as limited airspace over China, duties that run as high as China's 23%, and underdeveloped infrastructure to support landing and storage. But executives at the Macau event said things are changing for the better overall, with rapid airport construction in China, loosening restrictions on airspace, and a growing perception on the value of private flying that avoids airport lines and layover, lengthy check in and immigration procedures and other inconveniences.

China on screen

"We're bullish," Asian Business Aviation Association (ABAA) chairman Chuck Woods said. ABAA organized the show along with Reed Exhibitions. Woods, also CEO of charter service Jet Asia, part of gaming magnate Stanley Ho's tourism conglomerate, added, "Asia is not a market, it's 20 markets." Even China can be considered as "seven markets". Growth prospects are uneven across the region, but perhaps for the future most intriguing in Southeast Asia. For now, Woods said, "China is on everybody's radar."

"We're focused on India and China, and emerging markets in China," Hawker Beechcraft Asia-Pacific president Justin Firestone said, listing several cities in China as distinctive markets. His company has sold five of its Hawker 4000 aircraft in China so far this year. "No financing - all cash."

"China is a fast growing market and a large market," Airbus' David Velupillai said. "It hasn't had corporate jets for very long - not so long ago, you weren't allowed to own a house or car. The government has recognized that corporate jets are a value for the country and a facilitator for companies to grow." A US study of Fortune 1000 corporations found that companies that own business jets are more profitable than those that don't.

A business tool - seriously

"It's not a golf holiday," Bombardier regional vice president David Dixon said. "All too often, a business jet has been seen as a lifestyle choice, not a business tool. It's simply a way to go where you want to go, when you want to go. For a listed company worth \$10 billion, the CEO gets more time to work more productively."

Embraer China customer account director Brian Wang said: "The concept in this region needs to be changed a little. They have to recognize the value, the convenience of a tool like this. It saves time and time is money ... There's a tradition or cultural issue here: a lot of rich Chinese people want to hide their wealth."

On the other hand, when they make the decision to buy a private jet, they tend to buy big. "A normal buyer in the United States would generally start with a smaller aircraft and trade up," Gulfstream's Roger Sperry said. "In this market, they start off with a G450 or G550 and move to the top of the line. They want the top of line product, whether it's a bag or a watch or a business jet."

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Growing ownership has also led to more opportunities for leasing companies such as Hong Kong's Asia Jet, which sells the right to travel on private jets on a card priced from \$100,000 to \$500,000. CEO Mike Walsh said the company, founded early last year, is based on Warren Buffett's Net Jets in the US, which canceled plans to extend its successful model to Asia.

Buying is the easy part "A couple of years ago, there was hardly any choice in the region to rent corporate jets. From more buyers owning jets, it filters down to the leasing market," Walsh, who worked in the industry in Europe, US and the Middle East before coming to Asia, said. "The easiest decision you'll make is buying the jet. What to do with it is what gets difficult." Owners often find offering their planes to charter companies to offset the carrying costs of an aircraft.

Charter and leasing companies, which typically also organize fractional ownership arrangements, are also customers for aircraft. In Hong Kong, Asia Jet has four planes, while rival TAG Aviation has a fleet of 10 jets. Asia Jets has three more planes on order, including a Boeing Business Jet that's a modified airliner, and hopes to begin basing planes in mainland China next year..

Walsh said some of Jet Asia customers are owners awaiting delivery of their aircraft, a process that can take years depending on the model and interior specifications, and that some Jet Asia rental customers have chosen to "upgrade to ownership" based on their experience.

From every approach, aviation is climbing in Asia, Macau aviation show participants said. "I came to Asia 30 years ago," Bombardier's David Dixon said. "If someone said we'd be selling \$50 million airplanes to China, I would have said you're crazy."

*Macau Business magazine special correspondent and former broadcast news producer **Muhammad Cohen** told America's story to the world as a US diplomat and is author of [Hong Kong On Air](#), a novel set during the 1997 handover about television news, love, betrayal, financial crisis, and cheap lingerie. Follow [Muhammad Cohen's blog](#) for more on the media and Asia, his adopted home.*

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