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## Hurried Moguls Put Premium on Used Jets

By **DAVID PEARSON**  
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PARIS -- Emerging-market resource barons are helping to fuel a speculative market in secondhand personal jets that often makes them more expensive than new aircraft.



Associated Press


Businessmen look at executive jets built by Dassault lined up outside the Palexpo.

making it more palatable for executives to travel in company-owned planes, have driven an unprecedented rise in corporate-jet sales since 2003. In 2007, deliveries of business jets topped 1,000 for the first time, and in the first quarter of 2008 they rose 41%, according to General Aviation Manufacturers Association. New orders rose to just under 1,800 aircraft in 2007.

With orders outstripping deliveries by a wide margin, and manufacturers unable -- or unwilling -- to ramp up production to meet demand, the delivery backlog is stretching out until well into the next decade, especially for large, long-range aircraft.

"The market has changed dramatically," said Steve McMillan, chairman of Aero Toy Store, a leading private-jet dealer. "People used to measure what happened in the corporate-jet market by the level of U.S. corporate profits. If profits were strong, sales were pretty buoyant. When they started to slip, buyers decided they could wait to take delivery. But now the market reflects the number of newly minted billionaires."

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The market is partly driven by surging economic activity in the Middle East, Russia and other fast-growing areas that is boosting prices for oil and other resources and creating interest in private jets from billionaires such as Russian oil-magnate Roman Abramovich. Such super-wealthy people don't want to waste time standing in line or suffer the overbooking and security inspections that nettle most airline travelers.

Demand from these new moguls, coupled with changes in the European corporate culture

Moguls who have made their fortunes in a couple of years aren't willing to sit around waiting five years or more for a brand-new Gulfstream 550 -- made by a division of **General Dynamics Corp.** -- or a Dassault Falcon 7X made by Dassault Falcon. Other private-jet makers include Montreal-based **Bombardier Inc.**, which makes Learjets; Brazil's Empresa Brasileira de Aeronáutica, better known as Embraer; and Cessna Aircraft, a unit of **Textron Inc.** **European Aeronautic Defence & Space Co.**'s Airbus and **Boeing Co.** also do a thriving trade in private-jet variations of their airliners.

John Mann, a spokesman for Mr. Abramovich, confirmed the Russian billionaire owns a private Boeing 767-300. Trade magazine Flight International reported in 2005 that the plane was originally earmarked for Hawaiian Airlines but then fitted out especially for Mr. Abramovich.

Airbus said last year that Saudi billionaire Prince Al-Walid bin Talal bin Abdul Aziz Al Saud ordered a private version of its A380 super-jumbo for delivery around 2013.

Matthew Hartnett, vice president for preowned aircraft sales at General Dynamics' Gulfstream corporate-jet division, agreed that the market has become topsy-turvy. A brand new Gulfstream G450 sells for about \$40 million, but a used one can easily fetch 10% more than that, he said. "That's because you can fly it next month, instead of the first quarter of 2013," Mr. Hartnett said.

The supply-demand imbalance is attracting speculators anxious to make fast profits, said Len Liotta, director of business development at Leading Edge Aviation Solutions LLC, an Irving, Texas-based aircraft consulting and brokerage company that buys and sells new and previously owned planes. "I remember one case three or four years ago in which a couple of buyers bought six or seven slots for Challenger 300 midsize jets made by Bombardier at \$13.5 million apiece and were able to flip them at \$18.5 million less than a year later," he said.

Buyers typically pay 10% of an aircraft's sticker price -- the cheaper versions go for around \$10 million -- up front to ensure delivery in three to five years' time. But some operators place orders, never intending to take delivery, and sell their delivery slots to end-buyers in a hurry with a fat markup.

"If you need a plane in six months you have to go and buy a position from someone," said Paolo Carmassi, president for Europe, Middle East, Africa and India for Honeywell Aerospace. "And there are people who are making a business out of selling their positions."

The aircraft manufacturers are trying to stop this practice because it leaves them exposed if the market turns and buyers decide not to take delivery.

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