



## Globalization of Business Aircraft Ownership: Increasing Volume of Cross-Border Transactions Creates New Challenges for Aircraft Buyers and Sellers

-By Keith G. Swirsky & Troy A. Rolf-

The era of dominance of the corporate jet market by U.S. buyers and sellers is coming to a close. In the last year, the three manufacturers of the largest cabin-class business aircraft, Bombardier, Gulfstream and Dassault, have all reported steep increase in sales of aircraft to non-U.S. buyers. Additionally, services reporting trends in used aircraft transactions are consistently showing greater and greater numbers of business aircraft being exported overseas.

Historically, the majority of corporate aircraft have been U.S. owned, with “N” registered aircraft representing 70+ percent of all corporate aircraft registered worldwide. Today, it is reported that the division may be closer to 50/50. This shift to greater numbers of aircraft being registered outside the United States is not so much a reflection of a decrease in the total number of N registered aircraft, as much as it is a reflection of greater percentages of newly manufactured aircraft being delivered to overseas buyers. Indeed, the current “buzz” at industry trade association meetings is focused on these shifting trends.

It is easy to see why this current phenomenon is happening. First, the number of individuals world-wide who have the financial resources to purchase and maintain a jet aircraft for personal and business use is increasing at a staggering pace. Secondly, the strong Euro results in a substantial discount for aircraft priced in U.S. Dollars. Interestingly, the impact of a strong Euro is resulting in an increase in the prices of certain used aircraft models as well as manufacturers’ retail prices.

The trend toward greater non-U.S. ownership of business aircraft naturally results in greater numbers of cross-border aircraft transactions. Historically, the vast majority of corporate jet transactions involved a U.S. buyer purchasing an “N” registered aircraft from a U.S. Seller, and transactions that did not fit that paradigm were rare. That is no longer the case. U.S. buyers, sellers, brokers, and lenders (and their respective attorneys and advisors) are finding themselves involved in cross-border deals more often than ever before.



**GKG Law, P.C.**  
1054 Thirty-First Street, N.W.  
Washington, D.C. 20007  
Phone: (202) 342-5200  
Facsimile: (202) 965-5725

Aviation Group  
**Keith G. Swirsky**  
-kswirsky@gkglaw.com  
**Troy A. Rolf**  
-trolf@gkglaw.com  
**John Craig Weller**  
-cweller@gkglaw.com  
**Derek Bloom**  
-dbloom@gkglaw.com  
**David M. Shannon**  
-dshannon@gkglaw.com  
**Kara M. Kraman**  
-kkraman@gkglaw.com  
**Brian J. Heisman**  
-bheisman@gkglaw.com

As one might expect, such cross-border deals are more complicated than purely domestic deals, and require additional expertise. A variety of factors add complexity to cross-border deals. These factors obviously include differences in the laws and regulations of the exporting and importing countries affecting commercial transactions in general; requirements/requests for opinions of counsel on matters that require hiring a foreign law firm; and the requirements to deregister the aircraft from the exporting country's civil aircraft registry and obtain an export certificate of airworthiness, and to register the aircraft in the importing country and obtain a new airworthiness certificate.

Less obvious factors arise from differences in the expectations of the parties and the attorneys involved based on customary practices and industry norms in the respective countries. For example, it is common in some countries for sellers of corporate jets to require that buyer list the seller as an additional insured on the buyer's insurance for some period of time after the closing, typically two or three years. This is also common in the United States in transactions involving larger, air carrier class aircraft, but it is definitely NOT common in the U.S. corporate aircraft marketplace. Another example would be an expectation by some non-U.S. buyers, based on customs and practices in their own countries, that they will be able to purchase an aircraft anonymously through the use of an agent. This, of course, makes it difficult for a U.S. seller to assess the credibility of the principal behind the agent, which, in turn, creates an aura of suspicion around the transaction.

As the volume of cross-border transactions in the corporate aircraft marketplace increases, the likelihood that any individual buyer, seller, broker or lender in the market will be involved in a cross-border transaction likewise increases. Such cross-border deals are more complicated than purely domestic deals, and there are many traps for the unwary. Anyone involved in such a transaction should protect themselves by seeking the assistance of an aviation attorney or advisor with knowledge and experience in cross-border aircraft transactions. Having an experienced aviation attorney or advisor guide you through a cross-border transaction can be the difference between a smooth, efficient, successful transaction, and a transaction filled with frustration and time consuming delays.

