

THE TIPPING POINT: Corporate high life

Corporate jets | Fractional ownership

Private aircraft at time-sharing rates



As air travel grows more challenging in the face of overcrowded airports, increased security, airline overbooking and flight cancellations, private flying has become

more appealing to frequent travelers, be they corporate vagabonds or wealthy individuals.

The number of businesses around the world operating private aircraft has skyrocketed over the past 15 years, rising from around 6,600 in the early 1990s to more than 11,000 in 2004, according to the National Business Aviation Association.

Embraer, the world's fourth-largest air-plane maker, estimates that roughly 10,000 new private jets will be sold over the next decade, generating sales of around \$150 billion worldwide. Buoyed by a 30 percent increase in its own business-jet sales during the first nine months of last year, the Brazilian aerospace company recently announced that it will spend \$235 million to develop and produce new corporate planes to keep up with this anticipated demand.

"The private aviation industry has surged in popularity," says Paul Svensen, chief operating officer of the private-jet-membership company JetNetwork. "It has grown approximately eightfold in the past five years as it addresses consumers' safety concerns, increasingly hectic lifestyles, growing demand for luxury and frustrations with escalating costs and declining service in commercial aviation."

Yet that alone was not enough to spark the current boom. With private jets costing anywhere from \$5 million to \$20 million — and given that most privately owned executive jets sit unused 96 percent of the time (according to Jet-Alliance Inc.) — owning a private aircraft is not for everyone.

Wider availability

But the advent of creative financing — like fractional ownership, aviation debit cards and membership clubs — has made business jets affordable to thousands of corporate and private fliers who previously would have opted for commercial flights.

Much like a holiday time-share, fractional ownership allows companies and individuals to buy a piece of a private business jet at a fraction of the cost of an entire aircraft, without the responsibilities of full ownership.

The fractional ownership program offered by the Southern California-based Jet-Alliance gives customers one-sixteenth ownership of an Eclipse 500 business jet for a purchase price of about \$100,000.

On top of that, owners can expect to pay \$1,355 a month to cover the costs of insurance, taxes, pilot salaries and other fixed expenses, plus a usage fee of \$715 per occupied hour of aircraft operations to cover fuel and engine reserves.

NetJets, owned by Warren Buffett's Berkshire Hathaway company, is the world's largest fractional-ownership company and the single largest operator of private and business jets in Europe. It claims more than 5,000 corporate clients worldwide.

NetJets offers several distinct private flying options, including pass-as-you-go airline charters for those who fly one to 25 hours a year, the Marquis jet card for those who need a private jet up to 50 hours a year and fractional ownership for those who fly at least 50 hours a year, often with short notice or during peak periods.

JetNetwork membership, on the other hand, is based on a debit-like FlightCard that users present each time they fly, with hourly rates for all-inclusive plane use deducted from the balance. Rates are locked in for the duration of the card, and there are no membership, acquisition or management fees or long-term contractual commitments.

"The FlightCard model provides a viable and fiscally responsible alternative to fractional arrangements," Svensen says. To illustrate this point, he adds that JetNetwork's business has grown 160 percent in

just the last six months.

NetJet estimates that roughly 50 percent of its customers are private companies, 30 percent public companies and the remaining 20 percent private individuals. JetNetwork says that roughly 70 percent of its clients are corporate. The remainder are individual leisure travelers, with the New York metropolitan area as the largest catchment area.

According to Svensen, JetNetwork serves a broad array of Fortune 500 companies, including DHL, Panera Bread and Chico's clothing as well as entertainment and sports celebrities. The company has formed marketing alliances with the Nascar Cup Series champion Jeff Gordon and the Setai Hotel in Miami.

"JetNetwork was also selected as the private-aviation provider for this season's 'The Apprentice' and last season's 'Apprentice: Martha Stewart,'" adds Svensen, referring to the popular American television series created by the tycoon Donald Trump.

The private-aviation boom is not limited to fixed-wing aircraft. Associated Aircraft Group is an integrated helicopter service that operates a fleet of Sikorsky S-76 executive choppers along the U.S. Atlantic seaboard. A wholly owned subsidiary of Sikorsky Aircraft, AAG offers one-way and return taxi service, charters and fractional ownership.

The advantage of helicopter service, according to the company's spokesperson Carolyn Marino, is more "point-to-point" travel. With a top speed of 178 mph (286 kph) and a range of 450 miles on a single load of fuel, the S-76 is useful for getting somewhere fast and with limited fuss.

J.R.Y.



Fractional ownership is one trend fueling the increasing use of private aircraft.