Jet cards may be overstacking the deck

The market has embraced the jet-card concept, but it remains unclear just how many users a fractional jet can handle.

Jet cards, a relatively recent development in the fractional market, have quickly grown from a curiosity to a mainstay of the business. Each of the four major fractional providers now offers a jet card program–Bombardier Flexjet (Delta AirElite Jet Card), CitationShares (Vector Jet Card), Flight Options (Jet Pass Card) and NetJets (Marquis Jet Card). Typically, the programs offer 25 hours of flight time for a fixed price without requiring a long-term ownership commitment.

The rationale for these programs is simple. Fractional providers, facing unused capacity in their fleets a few years ago, looked for a way to generate additional revenue. They found a ready market among travelers who need fewer than 50 hours per year of flying time (the smallest fractional share), want the uniformity and convenience of flying with a single fractional provider and are willing to pay a premium price per hour to avoid having to purchase an aircraft share. As this niche has evolved, traditional fractional owners have come into the market as well, purchasing jet cards to add supplemental lift.

So the fractional providers (as well as a number of charter operators) have developed a thriving business for jet cards. The providers also energized their traditional fractional programs, because many jet card purchasers ultimately decide to upgrade and buy a share.

The card business, therefore, is working well for fractional providers. But what has it meant for fractional owners? Some are concerned that the influx of 25-hour fliers is straining the providers' capacity and their ability to manage their fleets, causing service delays and other problems. Indeed, common sense tells you that accommodating 10 owners per aircraft is easier than servicing 32 owners per aircraft. A NetJets owner who brought these issues to my attention but preferred to comment anonymously complained that "at times service has gone to hell…It's just crazy and they have no accountability to the owners at all…We can't depend on them anymore." The owner of a share in a Citation Excel, he believes that NetJets oversold cards in that model. (For a time, NetJets suspended sales of jet cards for the Excel.) He also claimed that "the planes are being used more and they…show some added wear. We never were told, nor did we think, that NetJets would operate a Part 135 charter operation on our airplanes when we purchased our shares." Summing up his feelings, he said, "They've taken all the joy out of fractional ownership." I tried unsuccessfully several times to speak with NetJets about these issues.

A Flight Options owner, who also asked not to be quoted by name, expressed similar concerns. He said he believes that the increased hours flown to service Flight Options' Jet Pass cardholders are reducing the value of his aircraft, while Flight Options retains all the revenue from the Jet Pass program.

However, according to Cameron Gowans, who was chief marketing officer for Flight Options at the time I talked with him, flight hours sold through the Jet Pass card program come from unsold capacity. Gowans noted that "we can sell only 800 hours of occupied time per aircraft… We adjust our core fleet ratio to match our Jet Pass and our fractional [operations]…It's not as though… your share is suddenly going to be flown a bunch more because of Jet Pass." Even so, it is commonly known that the average fractional aircraft may be flown as much as 1,200 hours per year.

Sanjay Saihgal, director of strategy and business development at Bombardier Flexjet, recognizes that a card program can have a negative effect on fractional owners. "There have been certain [card] programs that have affected the traditional fractional side of the business," Saihgal said, "and there's been a lot of noise out there that certain fractional providers' customers have suffered…as a result of [providers] being very successful in their fractional card program[s]."

As for Flexjet, Saihgal explained that "we were slow to start in the fractional card market and…we learned pretty quickly…that you cannot have too big a share of your total fleet sold out to fractional cards. To keep our operations efficient and effective and not have any effect on all our fractional owners...we want to grow our fractional card program only to a certain point."

Some providers seem to be managing growth in their card programs carefully. However, faced with the allure of additional revenues, it seems likely that providers will continue to grow these programs to the limit of what fractional owners will tolerate. ❑

A certain amount of trial and error is showing fractional providers just how many share owners and jet card holders a single aircraft can support.

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