

FLYING PRIVATELY WITHOUT BUYING A JET

how to decide whether a fractional share,
a jet card or charter best suits your needs

_by James D. Butler

“I JUST SPENT EIGHT HOURS in the Atlanta airport waiting for a delayed airline flight. I missed my connection, wasted a day and had to reschedule the trip. This has happened too often. I want to fly privately and I have

brochures from fractional and jet card programs. But I’m not sure which one is right for me and I can see that making the wrong choice would cost me a bundle. What should I do?”



COURTESY OF FLEXJET

I hear a version of that story all the time. The airline experience is so off-putting that it pushes weary travelers into the private jet market. But the decision to fly privately leads to more questions: Is fractional ownership right for you? Or would a fractional jet card program, a charter card program or perhaps on-demand charter be your best choice? Most importantly, how do you decide?

The first step is to look at your travel profile, budget and investment preferences and then answer several important questions, including the following: How often do you fly? Where and when do you fly? How far in advance do you plan trips? How many passengers and how much luggage do you take? Do you prefer to fly on a fleet managed by a single operator? Is there a good charter operator in your area? Do you have specific aircraft preferences? What's the best use of your capital? Can you take advantage of depreciation tax deductions?

A rule of thumb that passes for common wisdom is that if you fly between 50 and 400 hours per year, fractional ownership is likely to be your best option. (Under 50 hours, you're better off with a jet card or charter and, over 400 hours, you should consider buying a whole aircraft.) That, however, should be only the starting point for your analysis.

WHEN A FRACTIONAL SHARE IS BEST

In addition to flying at least 50 hours per year (the minimum size of most fractional shares), other factors

militate in favor of fractional ownership in programs like those from NetJets, Bombardier Flexjet, CitationShares and Avantair, which involve owning a share of an aircraft that a single operator manages as part of a fleet. Consider a fractional program if:

- You fly predominantly within its prime service area. That way, you won't routinely incur ferry fees and other extra charges.
- You fly predominantly on non-peak travel days. This is so you'll be unlikely to experience delays or wind up on a charter aircraft because all the fleet aircraft are in use.
- Most of your flights will be one hour or more. The fractionals charge a minimum of one hour even if your flight is shorter, so if all of your flights are 30-minute hops, you'll lose half the time for which you're paying, effectively doubling your cost per flight hour.
- You expect your flying to be fairly constant over the next several years. If you misjudge how much you fly, you may buy hours that you'll waste or, if you buy too few hours, you'll have to supplement them later with another investment.
- An aircraft model in the fractional fleet suits your needs. You won't be happy if your aircraft can't make your favorite trip without a fuel stop, hold your ski equipment or land on the closest airport's runway, and upgrading or downgrading to larger or smaller aircraft tends to be less cost-effective than choosing the right one up front.

UPGRADING OR DOWNGRADING TO LARGER OR SMALLER AIRCRAFT TENDS TO BE MUCH LESS COST-EFFECTIVE THAN CHOOSING THE RIGHT ONE UP FRONT.

WHERE TO BUY A FRACTIONAL SHARE

As recently as the early 1990s, the fractional business offered only about 30 aircraft and one national fractional provider-NetJets, which launched the concept in 1986. Today, four major companies with more than 800 aircraft compete in this business in the U.S. and you can also sign on with a wide variety of smaller operators, such as HeliFlite Shares, OurPlane and Sikorsky Shares.

Here's a look at six of the biggest providers:

Fractional Company	Year Founded	Owner	Headquarters	Notes
AVANTAIR (877) 289-7180 www.avantair.com	2003	Avantair	Clearwater, Fla.	Features Piaggio Avanti turboprops.
CITATIONSHARES (800) 340-7767 www.citationshares.com	2000	Cessna Aircraft/ TAG Aviation	Greenwich, Conn.	Focuses on light and midsize aircraft.
FLEXJET (800) 353-9538 www.flexjet.com	1995	Bombardier/ JetSolutions LLC	Richardson, Texas	Program allows for purchase of exact number of hours needed and guarantees access to smaller and larger aircraft.
FLIGHT OPTIONS (877) 703-2348 www.flightoptions.com	1998	Directional Capital and H.I.G. Capital	Richmond Heights, Ohio	First program to feature used aircraft, which it claimed could save owners 35 percent. Now focusing on newer aircraft, however.
NETJETS (877) 356-5873 www.netjets.com	1986	Berkshire Hathaway	Woodbridge, N.J.	First company to offer fractional shares remains the industry leader. Also offers NetJets Europe.
PLANESENSE (603) 501-7600 www.planesense.org	1996	Alpha Flying inc.	Portsmouth, N.H.	Features Pilatus PC-12 turboprops.

For an expanded listing of fractional providers, visit www.bjtonline.com.

- You're willing to live with not knowing the cost per actual flight hour up front. With a fractional share, you'll bear much of the risk of operational cost increases. More importantly, there's the risk that the value of your aircraft (and thus your share) may change significantly from the time you buy it to the time you sell it back to the program—a key factor in determining your overall cost.
- You're prepared to make a substantial capital outlay. Remember, fractional ownership means buying a share in an actual aircraft.
- You can use the depreciation deductions that are applicable to a capital asset. Keep in mind that in most cases, this means showing your fractional share on the books of your company. In the current political environment, that may raise the hackles of some shareholders.
- You can identify a financially sound fractional provider that has a track record of sustained excellence in operating its program. After all, you're not just buying flight time, you're going into business with the program operator and relying on that operator to run the business and buy back your share at the end of your term (generally five years).

WHEN FRACTIONAL JET CARDS ARE IDEAL

If you can't satisfy the above criteria, a fractional jet card through programs like Marquis, Flexjet 25 and CitationShares' Vector may better suit your needs. You're a good match for the offerings of fractional jet card companies if:

- You fly about 25 hours per year.
- You fly trips with stays that last at least a couple of days. Unlike the alternative of traditional charter, fractional jet card companies won't require you to pay extra positioning charges to fly the aircraft back to its home base after it drops you off and then comes back to pick you up.
- You schedule trips on fairly short notice. This makes the guaranteed availability offered by jet card programs of value to you.
- You fly to destinations that are within the primary service areas of the fractional jet card programs.
- You fly on days that aren't "blacked out" by the programs.
- The aircraft within your budget satisfy your requirements.
- Your flights are one hour or more. This way, you can avoid the one-hour minimums that balloon your cost per hour.
- You're uncomfortable flying through charter card programs that operate via a network of independent charter operators. Such programs, including those from Sentient, BlueStar Jets and Skyjet, don't offer uniformity in

fleet management, pilot experience, aircraft type, fleet age and so on.

- You don't want to make the long-term commitment that fractional ownership requires.
- You're willing to pay a bit more to fly than you'd be charged as a fractional share owner. For you, the extra cost is more than offset by the return you can realize on the capital you'd otherwise invest in purchasing a fractional share, and the fact that you will avoid the risk of fluctuations in the jet market that can adversely affect the value of fractional shares.

To be sure, fractional jet card programs charge hourly rates that are significantly higher than those of established charter operators. Indeed, you should consider that this may be a more expensive way to fly privately.

If your profile otherwise fits within the parameters for a fractional jet card, but you're amenable to flying through a network of charter operators that have been approved by one or more reputable safety rating services like ARG/US and Wyvern, you may realize some cost savings by utilizing a charter jet card service like Sentient, BlueStar Jets or Bombardier Skyjet. These services generally do not own or operate aircraft. Rather, they make arrangements with independent operators to service your flights. You won't be able to specify the type and vintage of the aircraft on which you'll fly, which may vary widely, but you should realize some cost savings over fractional jet card programs.

THE BEST CANDIDATES FOR CHARTER

If your travel profile and investment preferences don't gibe well with the fractional ownership model or jet card offerings—whether fractional or charter—you can go with traditional charter, which offers a “pay as you go” option with no commitment beyond each individual flight that you schedule. Charter can be a good



FRACTIONAL JET CARD PROGRAMS CHARGE HOURLY RATES THAT ARE SIGNIFICANTLY HIGHER THAN THOSE OF ESTABLISHED CHARTER OPERATORS.

WHERE TO BUY A JET CARD

Company	Cards	Fleet	Pricing*	Program Highlights
Avantair				
avantair.com (727) 538-0071	Edge Travel Card	Piaggio Avanti P.180 and Avanti II twin-turboprops.	15 hours (\$72,750); 25 hours (\$105,000)	Edge Card contract is for 12 months. Any unused hours are refundable 45 days prior to the end of the 12-month term. Card members have access to one aircraft per calendar day. Customers receive an introductory rate of \$90,000 with their first 25-hour Edge Card purchase. Avantair is the only stand-alone, publicly traded fractional-ownership company.
Blue Star Jets				
bluestarjets.com (866) 538-8463	PrivateJet SkyCard (blue, silver, gold, platinum and black levels)	Turboprops to large-cabin jets. Variety of aircraft types. Jumbo jets and helicopters available upon request.	\$50,000 (blue); \$100,000 (silver); \$250,000 (gold); \$500,000 (platinum); \$1,000,000 (black)	Offers five levels of membership along with special charter jet services at each level, including free upgrades. Ability to extend available SkyCard flight privileges to family or colleagues. No membership fees, aircraft acquisition cost or monthly management fees.
Bombardier/Jet Solutions				
flexjet25.com (866) 473-0025	Flexjet 25 Card	Bombardier Learjet and Challenger aircraft.	25 hours (\$107,900 on a Learjet 40XR)	Guarantees that 95 percent of flight hours will be on Flexjet 25 fleet of Bombardier aircraft. No positioning fees for flights to Bermuda, Central America, Mexico and the Caribbean. Available in 25, 30 or 35 hours. Unused hours can be put toward a Flexjet fractional jet share purchase.
Bombardier Skyjet				
skyjet.com (866) 775-9538	Skyjet Card (Elite and Value options)	Turboprops to ultra-long-range jets, including Bombardier, Cessna, Dassault, Hawker Beechcraft and Raytheon models.	\$100,000 deposit	Elite program features guaranteed aircraft aged 10 years or younger. Value program offers older aircraft but is more cost effective. Membership never expires. Flat hourly rates with no positioning or dead-head fees. Fully refundable membership fee.
CitationShares				
citationshares.com (877) 832-8678	Vector Jet Card	Cessna Citations, including Bravo, CJ3, Excel/XLS, Sovereign.	Per hour, all-inclusive costs range from \$5,134 for a Bravo to \$9,683 for a Sovereign.	With a minimum purchase of \$100,000 rates will be locked in for a year. Price is all-inclusive without any international handling or repositioning fees. Customers may add to initial deposit and any unused funds are refundable after first contract year. New customers receive discount and when combined with non-peak and flexible scheduling options, they can save as much as 10 percent on hourly rates.
Delta Air Elite				
airelite.com (800) 927-0927	Membership Fleet, Premier Fleet	A variety of 35 light, midsize and large-cabin aircraft types in Membership Fleet; 24 in Premier Fleet.	10 hours (\$43,900 for a light jet); 25- and 50-hour cards available.	Two classes of membership, with Premier Fleet class employing latest-model aircraft. Members flying round trips can receive bonus of up to 35 percent more hours than they paid for. No time limit for using hours; card balances fully refundable. Owned by Delta Air Lines. Members receive Medallion status in Delta SkyMiles program, which means they get preferred seating, boarding and special check-in privileges when flying on Delta or partner airlines.
Flight Options				
flighthoptions.com (877) 703-2348	JetPASS Travel Card	Light, midsize, super-mid and large-cabin-aircraft, primarily comprised of Hawker 400XP, Hawker 800XP, Citation X, Embraer Legacy.	\$100,000; additional purchases in increments of \$50,000. Hourly rates: Hawker 400XP, \$4,660; Hawker 800XP, \$6,590; Citation X, \$8,350; and Legacy 600, \$9,663.	Round-trip discounts. No fuel surcharges. Customers can select class of aircraft on flight-by-flight basis with no exchange fee. No ferry fees for flights to Mexico, Bermuda and most Caribbean islands. No time limit on use of hours, full refunds on unused balance.
Marquis Jet				
marquisjet.com (866) JET-1400	Marquis Jet Card	Uses NetJets fractional fleet featuring 10 aircraft models, from Cessna Citation V Ultra to Gulfstream G550.	25 hours (\$132,900 for Citation V Ultra to \$349,900 for Gulfstream 450); Gulfstream 550 pricing available upon request.	Uses NetJets aircraft, world's largest private jet fleet. Pay same price per hour no matter where you are flying within continental U.S., most major Canadian cities and the Bahamas. No fees for domestic deadheading, positioning, crews, landing or catering. Aircraft available with 10 hours' notice.
Sentient Flight Group				
sentient.com (800) 760-4908	Sentient Jet Membership and Membership Plus	Light, midsize, large-cabin and extended-range jets; uses managed, vetted fleet and jets from partner operators. Aircraft range from Cessna Citation CJ2 to Gulfstream G550.	\$150,000 initial deposit for Membership; \$150,000 purchase price for Membership Plus.	Offers "preferred" fleet of aircraft with average age of four years, and "select" fleet 10 years old and older. Members can switch among aircraft sizes and fleets on trip-by-trip basis with no exchange fee. No monthly management or maintenance fees. Fixed hourly rates for one-way travel with discounts for qualifying round-trips.

* Pricing does not include Federal Excise Tax (FET) and other possible fees and charges, such as catering.

option if your travel profile and investment preferences are as follows:

- You fly roundtrips on the same day. Thus, you can minimize your deadhead costs.
- You make your travel plans well in advance. That way, you can thoroughly investigate the market.
- You can identify reputable and safe charter operators. You want one near your home base that flies aircraft you like and that has the aircraft inventory to deliver reliable service and availability when you need it.
- You don't mind doing a bit more legwork for each trip than you have to do with one of the programs.
- Your usage may vary substantially over time. If that's the case, "pay as you go" charter is better for you than locking into a program with a "use it or lose it" commitment.

As is often the case, you may find that there is not a simple match between your needs and the available options. In such situations, your best bet may be a com-

bination of investments that satisfies all your needs in the most cost-effective way. For example, you may fly mostly one-hour flights for business but longer flights for family vacations. In that case, a fractional share in a light jet or a turboprop that provides depreciation deductions may service your business needs, while a charter jet card program utilizing a midsize jet may be the way to go for your family ski trips to Aspen and your trip with your golfing buddies to Florida.

Your goal should be to purchase maximum flight time on aircraft that best fit your needs from reliable and financially stable companies at a minimum cost. Making the wrong choice can cost you hundreds of thousands, if not millions, of dollars. Making the right choice can free you from the horrible service offered by the airlines in a way that does nothing less than change your life for the better. ■

James Butler welcomes comments and suggestions at: jbutler@bjtonline.com.

TRADITIONAL CHARTER OFFERS A "PAY AS YOU GO" OPTION WITH NO COMMITMENT BEYOND EACH INDIVIDUAL FLIGHT. CHARTER CAN BE A GOOD CHOICE IF IT FITS YOUR TRAVEL PROFILE.