Courtesy of NetJets Inc.

More Ways To Fly Private

By Jeff Burger

NETJETS INTRODUCED THE FRACtional-aircraft concept in 1986. Now, as then, the companies selling shares seek to offer a middle ground between full jet ownership and charter flying. For prices starting at several hundred thousand dollars—much less than the millions typically required to purchase an aircraft outright—you can own a share of one. (A one-eighth share typically equals 100 hours per year of flying.) You can enjoy more reliable and consistent service than charter operators often deliver. And you can resell your share to the provider at the end of a five-year term and reap tax-depreciation deductions.

This business model proved highly popular for more than two decades, but fractional providers took a particularly hard hit during the recent economic downturn. Some customers abandoned fractionals after being disappointed with the amounts they received when it came time to sell their shares back to the providers. Others simply couldn't afford to tie up so much money in the current economy.

Flight Options, for example, charges an upfront fee of anywhere from $305,000 for a 1/16th share of a Nextant 400XT light jet, to $1.5 million for a one-eighth share of a super-midsize Embraer Legacy 600. (In both cases, monthly maintenance and hourly fees also apply.) That's more than you would pay for a jet card, which typically lets you prepay for 25 flight hours at a time–a Marquis/NetJets card for a Hawker 400XP light jet starts at $119,900.

It's also much more than you would spend to charter a jet. You'll currently pay about $1,400 an hour to charter a small twin turboprop like a King Air 200 or $4,500 an hour for a Gulfstream III, which can carry 19 passengers. (All prices mentioned don't include add-on fees like fuel surcharges, aircraft positioning and federal excise tax.)

In today's economy, the fractional-share firms have been forced to go after customers who prefer these relatively inexpensive options. So most of them now sell jet cards and some even offer traditional charters. They want to grab as much business as possible by portraying themselves as one-stop shops, where customers can buy air time any way they want.

Looking for fliers in a depressed economy, private-jet firms are offering customers a lot more options to buy flight time.

For nearly a decade, for example, the Berkshire Hathaway–owned NetJets had an arm's-length relationship with Marquis Jet, whose jet cards let travelers access NetJets' fleet by paying for 25-hour blocks of flight time, with basic prices ranging up to $680,900 for a 50-hour card on a 13-passenger Gulfstream GIV-SP. In November 2010, NetJets bought Marquis, so that firm's jet cards became just another of the "solutions" it offers.

Cessna's CitationAir, which like NetJets began with a focus on selling shares, suspended sales in January and also ended a program called Jet Access, which incorporated elements of the fractional-share concept. The company now sells jet cards, jet-management services and "Corporate Solutions," which it bills as an outsourcing alternative to an in-house flight department.

Meanwhile, the independently owned Flight Options invites customers to "choose a program that matches your private-jet travel needs." Besides fractional shares, the company now advertises a membership program that it claims offers "the benefits of fractional ownership without the upfront asset cost, management fees and residual-value risk." The program starts at $145,000 for a 25-hour membership on an Embraer Phenom 300 light jet, then adds $79,075 for the flight-time block, plus a $3,163 "base" hourly rate. The firm's JetPASS Select is a jet card that combines hourly rates with what the company says is the "consistency" of jet ownership.

Bombardier's Flexjet, too, is talking these days more about "solutions" than shares. It will still sell you a fraction of one of its aircraft, but it additionally offers jet cards, a debit-model charter card, on-demand charter-brokerage services and whole-aircraft management. Avantair, another company that built its brand with fractional shares, today also emphasizes "solutions." Besides shares, it sells jet cards and has a lease program. The only major provider still focusing exclusively on fractional shares is PlaneSense, whose fleet consists entirely of relatively inexpensive turboprops.

So should a fractional provider serve as your one-stop shop? Or are you better off buying non-fractional business-aviation services from traditional charter companies and aircraft-management firms?

That depends. If you're primarily interested in paying the lowest price, you'll probably do better with a traditional charter operator. If you buy a charter flight from a fractional provider, expect to spend 10% to 25% more for airtime than you would pay to a traditional charter company. A fractional provider's jet cards are likely to cost more, too.

But generally, the expanded offerings by fractional companies add up to good news for consumers. That's because while many charter firms operate on a small scale, the leading fractional providers employ large national fleets and sophisticated quality-control systems. So they're apt to offer the best-equipped aircraft, best-trained crews and most consistent, reliable service. And if you taxi into problems, a fractional provider may be more likely than small charter operators to do what it takes to make things right.

Moreover, if you seek an outfit to manage and charter out your own aircraft, a fractional provider can probably utilize the aircraft more heavily than a traditional charter operator, which would put more revenue in your pocket.

The losers? Possibly the fractional-share owners. With the firms making their fleets available to jet card and charter customers, scheduling flights for shareowners could become more difficult. In addition, heavier use of the fleets could reduce the value of the aircraft, hurting the resale value of shares at the end of a five-year term. ■

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