

Do Your Homework Before Flying Privately (We'll Help)

Charter, jet cards, membership clubs, and fractional ownership all have pros and cons that make them better suited for some travelers than others. Which is right for you?

by James Wymbrandt

Congratulations if you're shopping for a private-aviation access solution, weighing the relative merits of charter, a jet card, a membership program, or a share in a fractionally owned aircraft. Full ownership aside, you've arrived at the apex of the world's transportation options.

Now it's time to evaluate access models and service providers. And you should do so carefully, because considerable sums of money, the quality and efficiency of your travel experience, and your safety and security are at stake.

The trend today is toward one-stop shopping: charter companies offer jet cards or equivalent block charter, and even membership programs; membership providers tout ad hoc charter and management services; and fractional-fleet operators, along with partial-ownership programs and their traditional jet cards, now provide corporate supplemental lift and other non-owner access. Which solution or combination of solutions matches your travel needs and budget? Read on for guidance that can help you decide.

Ad Hoc Charter: The Pay-as-You-Go Option

On-demand, or ad hoc, charter, is the most basic way to access business aircraft. You negotiate, book, and pay flight by flight. If you fly just occasionally, charter may be your only viable choice, but there are many other reasons it can be the best option, even for frequent travelers. Here are questions you should be asking if you're considering whether charter is a good solution for you.

How often do I expect to fly?

If your flying will total 20 hours or less per year, charter is likely the best option. You don't need to pay in advance as with jet cards or a membership program, and you can source aircraft on a mission-by-mission basis. An added benefit for infrequent fliers is that charter exposes you to a diverse range of aircraft and customer experiences—an invaluable education should you later shop for a jet card or fractional share. But charter can also be the best option if you're a high-time flier. You'll need to answer a few more questions to find out whether that includes you.



Will the distances I fly, and number of people I travel with, vary?

Using business aviation wisely means right-sizing an aircraft to the mission. If the routes you travel or the contingent that accompanies you tends to vary in distance or number, you'll be best served by changing the aircraft you use accordingly, and charter gives you the flexibility to do that. Some jet cards provide access to a fleet spanning several categories of cabin size, but nothing tops charter for finding an aircraft perfectly suited to the job at hand, whether that's a category of business jet, a seaplane, or a bizliner outfitted for a head of state.

Where will I travel?

Charter aircraft typically cluster in major metropolitan areas and along routes that connect them, and charter works best when you have access to many of them. The closer your takeoff and landing points are to such prime locations, or to a few high-profile leisure destinations, the quicker and more economical it will be to arrange charter.

Notwithstanding the availability of point-to-point pricing on popular routes, the cost of your charter flight will often reflect the expense

of getting the airplane to you and then returning it to a prime charter market. And many charter operators still charge ferry fees or round-trip rates for one-way flights. At some point, jet cards, which charge only for occupied time on the aircraft and have no positioning fees, become more economical.

How flexible is my schedule?

If you have leeway in what days or times you travel, charter will allow you to take advantage of periods of low demand to get better pricing. Conversely, if you need to fly on short notice, you'll appreciate that charter access—unlike card, membership, and fractional programs—isn't encumbered by call-out response times that can run to 24 hours or more. As such, charter can often get you in the air faster than any other option. But don't wait until the last minute to put your charter provider to the test. If quick access matters to you, ask about it while evaluating providers.

Do I need guaranteed access?

If you want to make sure you can fly anytime, charter generally isn't the best solution, as most providers don't guarantee access. If an airplane isn't available for charter due to high demand or because the aircraft you were scheduled to fly on had a mechanical problem, you'll be grounded. Some regular charter customers purchase a jet card for such situations. That said, cards and fractional programs have peak and blackout dates when more restrictive access rules apply.

How should I book my flights?

You can book through an operator (the entity that manages, and sometimes owns, the aircraft) or a broker (a third party that arranges the flight with an operator on your behalf). Theoretically, brokers have access to more aircraft, as they can access the fleets of multiple operators, but today many operators have expanded their networks of partner operators to call on for auxiliary lift. You should always be informed of the operator's identity, regardless of who's booking the flight. Keep in mind that the FAA regulates charter operators, whereas brokers are unregulated and require no training or certification, though many highly reputable brokerages serve the market.

Where do my chartered aircraft come from?

Most of the charter fleet consists of privately owned aircraft under the care of management companies that operate them on behalf of the owners, who make them available when they're otherwise idle. (A handful of charter providers own their aircraft.) Some 3,542 turbine and turboprop aircraft were in the active charter fleet as of 2016, according to the FAA's most recent data. Management companies use software to share their scheduling information through online platforms, so brokers and operators can access data on aircraft location and availability in real time. Many providers have preferred arrangements with operators they've vetted to ensure the quality of their fleets and operations. Your charter aircraft should come from this screened pool.

How do I know a charter aircraft is safe?

Private aircraft that fly passengers for hire are governed by the FAA's Part 135, whose crew-training, operations, and maintenance requirements are more stringent than the Part 91 rules, which govern non-commercial private airplanes. Many operators further certify that they meet guidelines established by third-party auditing firms and independent safety organizations



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Charter is a good solution if:

- You rarely use business aviation.
- Most of your travel is to and from major metropolitan areas, or popular leisure destinations.
- The distances you intend to travel will vary.
- The number of people you intend to travel with will vary.
- You like having choices of aircraft and prices for each flight.
- You want the most economical solution.
- Sometimes you need to fly on short notice.
- Flying on the newest business jets—or even ones made in this century—isn't at the top of your priorities list.
- You want to make sure you have access to the highest-quality aircraft for each flight.
- Your travel schedule is flexible. You don't need to travel during peak-demand periods.

such as Argus International, Wyvern, the Air Charter Safety Foundation, and the International Standard for Business Aircraft Operation (IS-BAO). Understand what these certifications represent and ensure that any aircraft you charter meets one or more of these additional standards.

How do the costs of charter and jet cards compare?

The answer depends largely on the route. Charter can be less expensive, given the widespread availability of one-way pricing and round-trip discounts. If your schedule is flexible, charter may also let you take

advantage of reduced pricing during low-demand times (or even for a usable empty-leg repositioning flight), whereas most card rates are fixed. However, with traditional round-trip charter pricing or repositioning/ferry costs for a one-way, a charter flight can be more expensive than a jet card.

Can I book charter online?

Mobile technology has opened new channels for booking charter, anchored by a host of web platforms, including FlyVictor, Stratajet, PrivateFly, and ReturnJet. These high-tech brokerages aim to automate scheduling, allowing app users to search for available lift, review options, and book a flight in just a few clicks. Almost all such providers still rely on human brokers in some capacity and do not support instantaneous transactions with tail-specific aircraft at a guaranteed price.



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What's New in Charter

Some charter operators now offer guaranteed access, long considered a key advantage of jet cards. **Delta Private Jets**, which began installing 4G Wi-Fi service on its fleet in the second half of last year, guarantees aircraft availability for charter even during peak-demand periods. The company also guarantees simultaneous access to multiple aircraft except during peak days.

Solairus Aviation now guarantees access, too, though five days' advance booking may be required for peak-day travel. Solairus offers a 25 percent discount for qualifying round trips.

Block-charter arrangements from providers may require a deposit, but some are fully refundable and can include guaranteed access year round, one-way pricing, and other benefits that make them viable alternatives to a jet card or ad hoc charter. **Clay Lacy Aviation's** preferred-access membership provides guaranteed availability with no blackout dates or peak-day surcharges for a refundable \$100,000 deposit.

The refundable Flat Rate program from **Executive Jet Management** (owned by NetJets) includes guaranteed access, locked-in hourly rates, a city-pair program with reduced prices on some popular routes, and no blackout dates or limits on simultaneous use of aircraft. —JW

Pick a Card—But Not Just Any Card

For regular, guaranteed access to business aircraft, jet cards—basically prepaid charter chits—can be a great solution. You're charged only for occupied time, you assess no repositioning fees, and you experience predictable costs and service consistency. Marketed by charter operators, brokerages, and fractional-ownership programs, jet cards are available in a wide range of types with varying features, which means you can likely find one that suits your needs, and also that the search can be a challenge. Here are some questions you may be asking.

What fleets are available?

Jet cards offer access to one or more models and categories of aircraft, but the platforms' age, interior appointments, and cabin amenities vary widely. You can buy a card that guarantees access to model year 2000 and newer aircraft, or one that ensures access to an older fleet of perfectly airworthy aircraft at a lower price. If you want to always fly on a Wi-Fi-equipped jet, you can buy a card that guarantees that. Make sure you know the source of the aircraft the card provider uses, the program's fleet standards, and that you like the aircraft you'll be flying on.

What card denominations can I purchase?

Despite their diversity, almost all cards come in two basic denominations: hours or dollars. Hour-based cards provide a set number of flight hours on a specific aircraft model or category (e.g., a 25-hour card for

a super-midsize jet) for a set price. Dollar-based cards typically give you access to a multi-category fleet at fixed hourly rates (e.g., a \$250,000 card). The higher the denomination of the provider's card—whether in hours or dollars—the lower the per-hour flight rate.

Hour cards are best if one aircraft model or category can serve most of your needs; if you require access to multiple aircraft types, dollar-denominated cards are more practical. Most hour-based cards allow you to trade up or down in aircraft category on a per-trip basis, but they also commonly assess an interchange fee, though the charges vary widely.

Can I fly on short notice?

The call-out time is the interval between when you ask for an aircraft and when it shows up at the airport. Jet-card programs guarantee a maximum call-out time, typically between five and 24 hours, depending on the provider and membership level. If you need to travel on short notice, or are buying a jet card for guaranteed access when your regular charter operator doesn't have an airplane available, make sure the response time meets your needs. Don't simply look at the program's posted call-out time; discuss this with the provider. Where and when you travel will also affect the call-out time you can expect.

Do jet cards have any special charges?

Jet cards have minimum occupied time charges per flight or minimum flight time per day, and you need to weigh these minimums against your anticipated use. If your usage and the minimums are mismatched,

your costs can rise substantially as phantom flight time consumes deposited funds. Daily minimums may be waived in some programs based on membership level or other factors. Where round-trip discounts are available, policies regarding how long you can spend at a destination before returning and still qualify for the price break also vary, as do policies on crew overnight charges, hangarage, and other associated fees.

Where do I want to fly?

Jet cards have defined service areas within which all program policies apply, and depending on the provider, they range from regions within the U.S. to the entire world. Service areas aren't necessarily operational limits, but beyond these boundaries you incur additional expenses and fees, which vary widely. Cards with regional service areas often have lower hourly rates than national programs, reflecting in part these programs' lower repositioning costs. For national card providers, the service area usually includes the continental U.S., portions of Canada and Mexico, and the Bahamas.

What about peak and blackout days?

Jet-card providers set peak and blackout days during high-demand periods (e.g., immediately before and after major holidays) when, based on membership level, your access may be restricted. Call-out times may be longer, surcharges may apply, program benefits such as simultaneous access to multiple aircraft may be suspended, or your card level may not entitle you to any lift at all.

Will my card expire?

Card expiration policies vary widely. Early jet cards had one-year, use-it-or-lose-it rules, but some today never expire (though their rate guarantees do) or are fully refundable. You should ask about policies on replenishing a card with additional hours, should you need just a few prior to its expiration. Also inquire about what happens to unused hours or unspent dollars when the card expires. And if hours don't expire, ask how long rates are guaranteed.

How will my funds on deposit be handled?

This is important, as last year's collapse of Zetta Jet reminded business aviation users. When the upstart Singapore-based charter company with its owned and operated fleet of Bombardier Globals went bankrupt, millions of dollars in customer deposits for block charter disappeared with it. If possible, ensure that the provider keeps your money in an escrow account or otherwise protected, rather than comingled with operating funds.

What else do I need to consider?

Many additional aspects of jet-card programs need attention. Among them: catering, ground transportation, fuel surcharges, whether Federal Excise Tax (FET) is included in hourly rates, cancellation policies, upgrades, and availability of onboard Wi-Fi. Consider program services in the context of your needs. If you're based in Buffalo, New York, the free deicing that some cards offer is a great benefit.



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A jet card is a good solution if:

- You need regular access to a category, model, or fleet of aircraft that a program offers.
- The condition of the aircraft in the card program meets your approval.
- You find the one-call convenience of a jet card appealing, even if it's not always the most economical choice per flight.
- You want a program that mimics the consistency and service of ownership, but doesn't require the large capital outlay of ownership.
- You often travel to and from remote locations.
- You often fly one way.
- A card program's round-trip discount program meshes well with your travel profile.
- You need a guaranteed access backup for times when no charter aircraft are available.
- You'd rather lock in hourly rates than deal with fluctuating prices for flights in the charter market.

Also recognize that some proportion of members in benefits-laden programs subsidize the rest, and figure out which side you would be on. Note, though, that it's impossible to work around the one area where this subsidization has its greatest impact on price: occupied-time-only billing. All cards have identical models, with repositioning costs baked into the card price and shared equally, though the resulting benefits are not. In general, the farther you are from the program's operational center, the more value the card delivers from a cost perspective.

Review a card's ancillary on-the-ground benefits provided through partnerships with luxury goods and services purveyors. Jet-card and membership programs are building branded lifestyle benefits packages, which can include discounts at high-end resorts, invitations to exclusive events, and access to bespoke services. The packages aren't a reason in themselves to choose a particular card, but consider whether the offerings add value for you.

The Benefits of Membership Programs

Membership programs represent a fast-growing and varied segment of the charter market, and include all-you-can-fly subscription models like Surf Air; fleet-access programs like Wheels Up; and providers that offer a menu of discount charter, shared shuttle flights, and other options, such as JetSmarter.

Membership programs typically charge an initiation fee and a renewal fee in following years for access to a fleet of aircraft. Surf Air begat membership programs with its one-monthly-fee subscription model, offering scheduled service in California on shared flights aboard Pilatus PC-12 turboprops. These flights operate under the DOT's Part 380 public charter rules, as well as the FAA's Part 135 rules.

At Wheels Up, initiation and annual renewal fees provide access to an owned fleet of King Air 350i twin turboprops and Citation Excel/XLS midsize jets. Now a growing number of management companies are creating membership programs to augment their air charter service. —J.W.

Fractional Shares: Pay for a Slice, Enjoy a Whole Pie

Fractional ownership remains popular for the high-end ownership experience and turnkey management service it delivers at a fraction of the cost of buying and maintaining an entire aircraft. The programs can also be the quickest routes to accessing the latest aircraft models, as they often serve as launch customers for new platforms.

Your choice in programs is relatively limited, however. While you can select from thousands of charter providers and hundreds of jet cards, you can count the number of major fractional fleet operators on one hand.

Your aircraft share provides a set amount of flight hours per year

What's New in Cards and Memberships

This year, one-way charter pricing pioneer **XOJet** launched its three-tiered Access memberships (Select, Preferred, and Elite) to supplement its ad hoc charter. Select and Preferred Access provide rebates on flights aboard the company's owned and operated fleet of super-midsize jets, while Elite gives you guaranteed hourly rates on light, midsize, and super-midsize jets. Initiation fees range from zero to \$3,000, refundable deposits from \$50,000 to \$100,000, and monthly fees from \$250 to \$1,000.

Sentient Jets is offering through the end of 2018 the SJ25+ card, providing 25 hours of access to super-midsize aircraft (e.g., Challenger 300, Citation Sovereign, Falcon 50EX), 2000 model year or newer, for an all-inclusive hourly rate. Other benefits of the card include a 15 percent discount on qualifying round trips.

UK-based brokerage **Air Partner** introduced in December a limited-edition £1 million jet card, providing up to 225 hours of flight time across six cabin categories and a host of perks like VIP supercar experiences and invitations to its calendar of exclusive events.

Delta Private Jets has introduced its Sky Access membership program, which provides guaranteed hourly rates for ad hoc charter and unlimited empty legs for an \$8,500 initiation fee and \$6,000 annual renewal.

JetSmarter, which revitalized the per-seat charter market with its shared shuttle flights featuring a limited number of free seats, this spring reorganized its membership program. The company slashed the initiation fee, simplified the membership levels, and eliminated no-cost in favor of low-cost seats on its shuttle flights.

Last year, California's **Surf Air** bought Texas clone **Rise** and revamped its membership program to accommodate subscribers who want access to the combined service network. Also last year, the company launched Surf Air Europe, which now offers all-you-can-fly service on Embraer Phenom 300s to cities including London; Zurich, Switzerland; Munich, Germany; and Milan and Italy. —J.W.

pegged to its size, based on 800 hours of annual owner flight time; a one-sixteenth share, the usual minimum, entitles you to 50 flight hours per year. But even though you own the asset, the limitations of peak days, call-out times, service areas, and the like apply to fractional ownership just as they do to jet cards. Here are some other questions to consider.

Does the fleet match your needs?

Make sure you like flying on the aircraft you're buying into, and that it's the best choice for your mission profile and preferences. Also recognize that you will rarely fly on "your" aircraft, but instead aboard either one of the same model or a larger or more premium aircraft you will be upgraded to if your model isn't available.



Many fractional operators also have lease programs, which provide the same access benefits as ownership.

Fractional ownership is a good solution if:

- Your high usage makes it more economical than other access options.
- Your aviation and financial advisors agree that a fractional share makes sense for your needs and financial situation.
- You want access to an aircraft model that no other access program offers.
- You prefer to fly on new aircraft and are prepared to pay for the privilege.
- You're not flying your wholly owned aircraft as much as you formerly did, but still need regular access to lift.
- You can take advantage of the depreciation benefits ownership provides.
- You don't expect the asset to retain value the same way business aircraft did in the last decade.
- It's important to you that aircraft be outfitted with all the available options.
- You want and can afford to have the finest business jet access solution and service possible.

What costs will I face?

Fractional owners pay a buy-in fee for the share, a fixed monthly management fee, and a fee for each hour flown to cover operational costs along with whatever charges are incurred during flights (landing fees, for example). There are no repositioning charges. Shares are priced proportionately, based on the manufacturer's retail list price; a half share costs twice as much as two quarter shares. However, the larger the share, the greater the ancillary benefits, such as reduced interchange fees and call-out times.

What are the ownership terms?

Ownership contracts typically range from about two to five years. At the end of the term, the fractional provider buys back your share at fair market value. Depending on the provider's fleet-replenishment plans, you may have the option to extend the contract, though if your share is in an older model that will be retired at the end of your term, that won't be possible. (Unfortunately, fractional programs keep fleet-replacement plans close to the vest.)

You may also leave the program before the end of the contract, but if you do, you'll pay an early-exit penalty. Such prematurely surrendered shares may be available on the open market or through a fractional company itself and can be a good solution if you have a more limited time horizon for your ownership needs. Many fractional operators also have lease programs, which provide the same access benefits as ownership.

What will my share be worth when the contract ends?

Prior to the Great Recession, value retention was a key selling point for fractional programs. Buy and fly, take advantage of tax benefits that come with ownership, and still have 75 percent residual value in the aircraft at the end of the standard five-year term, went the sales pitch. The dramatic drop in residual values since 2008 belies



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What's New in Fractional Ownership

PlaneSense, the world's largest civilian operator of the rugged Pilatus PC-12 single-engine turboprop, this year added the eagerly awaited PC-24 to its fleet as launch customer for the Swiss-made STOL twinjet. Shares are being presold for two PC-24s due for delivery in early 2019, and in the interim buyers have access to a PC-24 through a lease program that will be rolled into their ownership at no cost. PlaneSense added the Nextant 400XTi light twinjet to its fleet in 2016.

Flexjet last year became the exclusive fractional-program provider of Gulfstream's G650 and G650ER, and later this year the company will add Gulfstream's G500, as North American launch customer for the soon-to-be-certified large-cabin platform. Flexjet also has a \$2.4 billion order for 20 copies of the in-development Aerion AS2 supersonic business jet, with deliveries scheduled to begin in 2023. Aerion and Airbus are co-developing the Mach 1.2, 12-passenger jet. Flexjet launched the Red Label aircraft collection in 2015, with exclusive cabin interiors and flight crews dedicated to a single aircraft, attired in outfits designed to harmonize with the new cabin look. The LXi cabin collection has now grown to more than 25 unique interior designs.

Early this decade, **NetJets** ordered \$2.8 billion in business jets, including firm commitments for 20 Bombardier Global 7000s and 8000s, and options for an additional 70 Globals, with deliveries originally slated to begin in 2017. With the long-delayed 7000 program now in sight of certification and entry into service, current and prospective fractional owners should soon have access via NetJets to what Bombardier claims is the world's largest purpose-built business jet.

Underscoring a trend toward vertical integration, NetJets last year launched QS Partners, an in-house aircraft sales and

acquisitions brokerage. It is the exclusive sales agent for aircraft retired from the NetJets fleet; and it helps prospective shareowners dispose of their wholly owned aircraft while assisting current shareholders with moves into full ownership.

NetJets last fall announced a partnership with Four Seasons Hotels & Resorts to offer vacation packages using its fleet and Four Seasons properties. The packages are open to customers of both NetJets and the resort company.

Family-owned **Nicholas Air**—whose fractional fleet includes the light Pilatus PC-12 and Phenom 100 and the midsize Phenom 300 and Citation Latitude—added the popular Citation CJ3 to its lineup last summer. Though minimum annual flight time for shares start at 100 hours, Nicholas offers several other access options: its aircraft-specific Blue card in 15-, 30- and 60-hour amounts; the fleet-access Rise card in \$200,000, \$350,000, and \$500,000 denominations; and a pay-as-you-fly Smart Card; along with a lease program.

Midwest-based **Executive AirShare** last year introduced the Embark membership program and Launch Lease, complementing its flight-day-based fractional-ownership model: a one-sixteenth ownership share provides 20 flight days per year on the Phenom 100, 300, King Air 350i, Citation CJ2+, or Learjet 45XR. The only limits on daily flight hours are FAA crew duty day rules. Embark membership provides a minimum of 10 flight days per year on the same selection of aircraft on a renewable one-year term, or 20 flight days over two years. Launch Lease, aimed at midsize businesses, provides 40 flight days over a two-year period. Caveat: these new programs don't guarantee availability. —J.W.

that advice. Valuations of 30 percent of the share price after five years of ownership have not been uncommon. Fractional owners have adjusted to this new reality and fractional fleets continue a rebound. In 2017 fractional flights and flight hours grew 4.7 and 6.8 percent, respectively, over the prior year, which itself had seen a year-over-year increase from 2015, according to Argus International.

What about tax considerations?

Fractional shares need to be placed in an ownership entity, structured to minimize regulatory concerns as well as federal and state

sales and usage taxes. The federal tax reform of 2017 has changed rules that affect these issues while raising others surrounding ownership and business usage of aircraft that will need to be resolved. If you purchase a fractional share, you'll require professional assistance in both aviation and tax matters. **BJT**

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