



General Aviation Options for Business

From GBTA Aviation Committee

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Overview

From creating growth opportunities and global connectivity for America's small towns and rural areas to supporting the nation's productivity, business aviation is an important economic engine, creating jobs and investments, while contributing to the safest and most efficient aviation system in the world. Business aviation is a vital part of the nation's economy and transportation system.

Business aviation is a Federal Aviation Administration (FAA)-defined term. According to the FAA, business aviation is the use of any general aviation aircraft – piston or turbine – for a business purpose.

The U.S. aviation system is made up of three segments:

- Scheduled operations, including passenger airlines;
- Military, and;
- General aviation, which is a part business aviation.

General aviation (GA) includes diverse operations, with business uses that range from agriculture, to law enforcement, to fire and rescue services, to varied government, educational, nonprofit and business organizations. Servicing and supporting these organizations are FBOs (fixed base operators), maintenance technicians, suppliers and service providers.

By flying on general aviation aircraft, some businesses find they are able to better manage select employees' time and appointments, seizing opportunities the moment they arise, and strengthening business ties through valuable face-to-face meetings, both domestically and overseas. Rather than spending so much time getting from point A to point B, these same people are gaining more time to spend however they choose. They are accessing more than 5,000 public use airports in the United States (as well as international locations), avoiding congested airline hubs, and arriving closer to their final destinations.

Individuals who use general aviation aircraft realize numerous competitive business advantages, including the ability to compress three- to four-day trips via automobile or commercial airlines into one-day trips. They depart from FBO facilities that restrict public access, and they fly with colleagues, not strangers, so they can work in flight without compromising confidentiality. They are also able to attend hastily-scheduled meetings or send a team to support a customer in an emergency, all with strong industrial security benefits. Who is the typical passenger on a business aircraft? The answer may surprise you. According to a recent survey by Harris Interactive, managers and other mid-level employees are the typical passengers on business aircraft. Only 22% of passengers on business aircraft are top management (i.e., a company's Chairman, Board Member, CEO or CFO); the majority are other managers (50%) and or technical, sales or service staff (20%). (Source: *Harris Interactive's The Real World of Business Aviation: A Survey of Companies Using General Aviation Aircraft.*)

The bottom line is that business aviation is an efficiency and productivity tool for tens of thousands of businesses.



Considerations When Pursuing a General Aviation Solution

A company or individual who has decided to pursue a general aviation solution has a variety of choices. Your best starting point is to develop a “mission profile” identifying how often you travel, where you fly, how long you stay, how many people travel with you, and how many hours you spend in the air each year. You may be well-served to engage a consultant who is expert in business aviation mission profiling and financial modeling to ensure the right outcome is selected for your company’s travel needs. Choosing the wrong option can be a very expensive and frustrating mistake.

By reviewing this document, you will become familiar with general aviation and the various options available to you to best meet on-demand business travel needs, including:

- On-Demand Charter
- Jet Card Programs
- Fractional Aircraft Ownership
- Joint Aircraft Ownership
- Full Aircraft Ownership

Business aviation is a time multiplier allowing key employees to do more, faster. Much like an investment in state of the art computer software, a business airplane boosts employee efficiency and productivity.

- Companies needing to reach multiple destinations in a single day rely on business aviation. This type of itinerary is often impossible to keep using other modes of transportation.
- When using a business airplane, employees can meet, plan and work en route. Employees can discuss proprietary information in a secure environment and without fear of eavesdropping, industrial espionage or physical threat.
- Many aircraft have technologies that allow employees to remain in communication with colleagues on the ground throughout the duration of a flight. This is critical for companies managing a rapidly changing situation.
- Business aviation allows companies to safely transport tools and materials that cannot be carried aboard airlines, enabling them to solve urgent problems efficiently and quickly.

Efficiency=Productivity=Profits

On-Demand Charter

Companies and fliers point to several reasons for using on-demand charter to meet specific travel needs that may not be met by commercial airline service. Charter providers can tailor service to the specific needs of your trip. You can select the aircraft that makes the best use of passengers’ time and maximize the productivity of your employees by providing direct service to the desired location without dealing with connecting flights, congested airports, remote parking, and check-in and security lines. You can book a critical, last-minute flight when commercial airlines are booked. Flight delays and cancellations are minimized, and passengers arrive ready to conduct business. Your charter operator provides a trained flight crew, flight scheduling and planning services. They also can assist you by arranging onboard catering, transportation on the ground, etc.

In the realm of charter aircraft, one size does not fit all. There have been more than 300 business aircraft makes and models certificated by the FAA, many of which can be used for charter flights. Knowing your mission will help ensure you arrange the right fit for your air travel needs. For example, you would not charter a business jet for a fishing expedition in a location accessible only by seaplane, nor would you



want to charter a single-engine seaplane to fly you from the U.S. to your meeting in Asia. Following are some key points you will need to know before arranging a charter flight:

- What is the point of origin (city, state, country)?
- What is the destination (city, state, country)?
- Are there other locations, such as interim stops, planned during the trip?
- Are your dates/times for travel firm or do you require flexibility?
- How many passengers will be traveling?
- Do you have aircraft cabin preferences or requirements?
- Is price your primary objective? Or are you will to accept minor inconveniences such as fuel stops to save on the overall cost of the flight?
- Do you need the aircraft to fly non-stop on all legs of the trip?

Having a solid relationship with the charter provider allows good insight into their maintenance program, as confidence in your provider is important. While the FAA sets minimum criteria and oversees the licensing of charter operators, standards of pilot experience and training, maintenance, and safety can vary greatly by provider, so being familiar with your specific provider is always advisable.

The National Business Aviation Association (NBAA) has developed a free “Aircraft Charter Consumer Guide” which recommends a process for pre-screening charter operators. That resource is available at <http://www.nbaa.org/charter>.

Air Charter Brokers

In addition to the 2,100-plus charter operators, there are air charter brokers who are individuals or companies that link charter customers with charter operators and may provide many value-added services to assist the air charter consumer. Customers can ask a broker what type of value-added services they provide that may not be routinely provided by aircraft operators. In addition to due diligence research on operators, aircraft, and crew qualifications, brokers may also make arrangements for ground transportation, special catering, on-board passenger amenities, hotels, executive security, destination security briefings, etc.

Unlike FAA-certificated charter operators, charter brokers are not regulated by the FAA or Department of Transportation (DOT). However, the DOT has set certain requirements for air charter brokers, which are summarized here: (1) Brokers must be clear with the consumers that they are not the FAA-certificated charter operator or the entity operating the flight. (2) Air charter brokers work either at the request of the consumer to find charter operators or at the request of the charter operator to find customers. Alternatively, brokers can act as a “middle-man” where the broker, at the request of a customer, finds an appropriate charter operator, with which the customer then contracts directly for the charter flights. In this middle-man scenario, the broker is not involved in any way with the provision of air transportation, and the customer pays the broker separately for its services.

If, as the consumer, you would like the charter broker to be your agent, then you need to control the authority you delegate to the broker (e.g., Do you authorize the charter broker to negotiate on your behalf? Sign contracts on your behalf? Pay the charter operator on your behalf?) While charter brokers can be beneficial to the customer, be certain that any broker you work with has air charter expertise, such as their aviation industry experience and knowledge of Federal Aviation Regulations. If the air charter broker is unwilling or unable to provide you with the required information, you might consider working directly with another broker who can provide you with the necessary information or directly with a charter operator.



Financial considerations

Price should not be the primary driver behind selecting a charter operator. The operator's reputation for safety, training, quality of the aircraft and customer service, to name a few, should hold greater weight than price. Only when you have quotes from similarly qualified charter operators should price be the tie-breaker.

Charter prices are not particularly complicated. You pay the agreed hourly rate for each flight hour, plus Federal Excise Taxes, and any incidentals (including positioning charges, daily minimums, and similar "inefficiency" costs). As fuel prices go up, some operators have started charging a fuel surcharge. Be certain to get multiple quotes from qualified charter operators and know what the bottom-line price will be before contracting with one operator. While their per-hour rate may be lower than their competitors, they may have other fees that drive the price higher. Some charter operators offer "block charter" pricing which includes a percentage discount for a guaranteed minimum of flight hours (typically 25 or 50 hours within one year), which is similar to jet card programs (covered in the next section).

Jet Card Programs

Jet card programs are another form of on-demand charter. By purchasing a pre-paid jet card, fliers receive all of the same benefits as charter and, depending on the jet card program, some additional benefits that you receive with fractional aircraft ownership (covered in the next section). It is important to note that standards vary greatly by operators. All operators offer direct service between the airports that are closest to your departure and arrival locations after you've made an upfront payment to purchase the card. Your flights are then deducted from your initial payment based on a fixed hourly charge for your occupied flight hours.

Some jet card programs charter a category-appropriate aircraft for you from a pool of charter providers, while other programs that are affiliated with fractional ownership companies offer you a sublease in a fractional ownership interest in the specific aircraft type you choose. When you own a card that gives you access to a pool of charter providers, you have no control over the aircraft you fly on, or its age, the pilots, your insurance coverage, or the service delivered. Jet card programs affiliated with fractional ownership companies, however, ensure you fly on the aircraft type you selected, offer consistent operating standards including pilot training and aircraft maintenance, and provide a known amount of insurance coverage. You also enjoy personalized owner services and guaranteed availability typically in as little as ten hours. Some jet card programs offer international service, while others do not. The variety of aircraft types available to you also varies by program.

Financial considerations

Jet card prices are also fairly straightforward. You make one upfront payment, but additional charges (such as Federal Excise Tax, Fuel Variable, and War Risk Insurance) may apply. Know the company with which you are doing business to ensure they are financially sound; funds paid for a jet card should, ideally, be placed into an independent escrow account in a third party bank that can be drawn upon only with written consent from the jet card holder.

Fractional Aircraft Ownership

Similar to charter service, many companies find fractional aircraft ownership offers benefits that allow them to meet business goals that may not be met by commercial airline service. Many businesses have identified a need for travel on general aviation aircraft, but that need is not great enough to justify whole aircraft ownership. The benefits of fractional ownership are usually enjoyed for less than it would cost to own a whole aircraft outright, while also saving you the time-consuming burdens of managing your own aircraft. Fractional aircraft ownership allows you to match your investment to your air travel requirements, because you purchase a share that fits your transportation needs, i.e., the number of hours you fly each



year, where you go, how long you stay, the number of people flying, etc. Your monthly management fees and occupied hourly rates are predictable, and you also typically have the flexibility to exit the fractional aircraft agreement after a set period of time depending on the aircraft type you buy.

With fractional aircraft ownership, you have guaranteed access to your aircraft, or one similar to your aircraft, without the responsibilities of whole aircraft ownership. Your fractional aircraft provider manages your share, providing you with a trained flight crew, flight scheduling and planning services, onboard catering, transportation on the ground, etc. If you own a share with a company that has multiple aircraft types in their fleet, you may also be able to upgrade to a larger aircraft or downgrade to a smaller aircraft as the needs of your specific trips dictate. Some providers even have international programs which allow you to exchange to another aircraft type when you are traveling abroad, regardless of where the fractional share was purchased.

Some businesses with their own flight departments often use fractional aircraft ownership to supplement their fleets. Most fractional aircraft ownership providers give you various purchasing options, including the opportunity to lease a share, finance a share, or buy a share outright. Depending on how you use your fractional share, you may be entitled to specific tax benefits. Consult with your tax advisor for more information.

Financial considerations

Fractional programs have a somewhat complex pricing model. You pay three main charges – the acquisition cost of the fractional aircraft interest, monthly management fee, and occupied hourly rate. These mimic the same categories of expenditures noted for ownership, but they are aggregated and therefore somewhat simplified. They are subject to various escalation provisions. Upgrading and downgrading aircraft may impact pricing, but in a clear, formulaic fashion. You also pay a take-off/landing fee designed to compensate the fractional program for the costs of the taxi portion of the trip.

Joint Aircraft Ownership

Companies that do not have a need for a whole aircraft but fly often enough to justify ownership instead of charter may find benefit in Joint Aircraft Ownership. Under this structure, two or more companies, often located in the same geographic region, jointly purchase the aircraft and one of the registered joint owners of an airplane employs and furnishes the flight crew for that airplane. Each of the registered joint owners pays a share of the charge specified in the agreement. This option can be more cost-effective than fractional ownership, and typically one of the owners handles the administrative matters related to hiring the pilots, scheduling the aircraft, and maintenance. With only one aircraft, however, some flexibility may be lost in that the aircraft might not be available exactly when you need it, as another joint owner may be using the aircraft at that time.

Financial considerations

These considerations are similar to those for fractional ownership and whole aircraft ownership. Each registered joint owner pays for their percentage of the acquisition cost of the aircraft and contributes to the monthly fixed costs of owning and maintaining the airplane, and pays for their pro-rata costs of operating the airplane based on the number of hours flown.

Full Aircraft Ownership

For some, buying an aircraft is the optimal transportation solution. Full aircraft ownership offers the greatest level of control over safety, security, customer service and other essential factors. Except when it's out of service for maintenance, the aircraft is always there to take you wherever you want to go, whenever you want to leave, meaning you have a tremendous amount of flexibility. There are no pre-set rules regarding advance notice requirements. Last-minute or even en-route travel changes are easily



accommodated, and there are no “peak days” on which rules can become more restrictive. The aircraft can be painted and configured however you like.

Of course, when you own an aircraft, you have the responsibility for operating the aircraft and ensuring compliance with applicable laws and regulations. You need to hire pilots and ensure they are properly trained and certificated, maintain the aircraft, and see to a range of other requirements to keep an aircraft (or a fleet) in the air. While it takes some up-front work to structure an internal flight department, consultants or a flight department manager can assist with this process to ensure that before taking delivery of the aircraft, you are structured to operate effectively and efficiently. The higher level of complexity associated with the internal flight department pays off with the greater control over all aspects of the aircraft ownership and operation.

There is also the option to put a company-owned plane in the hands of an experienced aircraft management company, under an external flight department structure. Some aircraft management companies also are licensed charter operators. With proper certification, the plane can be chartered to third parties when not used by your company, thus potentially providing an income stream which will help off-set some of your costs of owning the aircraft.

Like most companies that own and operator business aircraft, if you have only one aircraft in your flight department, your flight options will be limited by the range and capacity of your aircraft. Most buyers choose an aircraft that meets their “best fit” requirement, meaning that it may not be the most efficient travel option for some trips and may be incapable of performing others but will meet their needs most of the time. You would aim for your aircraft to meet at least 80% of the flight requirements identified in your mission profile. When your single-aircraft fleet is down for either scheduled or unscheduled maintenance, flight options include driving, chartering another general aviation aircraft, or the commercial airlines.

Financial considerations

The most obvious financial consideration is the initial cost of aircraft acquisition. From the acquisition perspective, savings may be available if you opt to purchase a used aircraft instead of a new one. However, older used aircraft generally are less efficient and more costly to maintain than new aircraft, so the operating costs may be substantially higher than for a new aircraft. In the current economy, there are many used aircraft from which to choose and available aircraft are well priced. Of course, should you ever need to sell your aircraft, you always run the risk of facing market depreciation.

There is no way to generalize the financing structure of an aircraft acquisition. Multiple options exist from a relatively simple, all-cash deal to a more complex leasing structure with multiple entities utilizing the aircraft. Tax benefits of aircraft ownership, such as depreciation, are extremely valuable, but there also are tax liability considerations that must be properly planned before purchasing the asset. Purchasing an aircraft is not like purchasing an automobile; it is a paper-intensive, complicated process that is best handled in coordination with outside advisors who focus on business aircraft transactions to ensure that specific tax, regulatory, legal, and insurance requirements are met.

Whole aircraft ownership typically involves a laundry list of fixed expenses (financing or lease payment, pilot salaries or monthly management fees, hangar rentals, chart subscriptions, insurance) and variable expenses (fuel, maintenance, maintenance reserves, airport charges, catering, weather reports and charts for specific flights; these are often called “DOC’s” for Direct Operating Costs).

Policy and Usage Considerations

Strong governance dictates that companies that utilize business aviation have a board-approved use policy for the



use of the aircraft. The policy should be written broadly enough to permit appropriate uses of the aircraft and include checks and balances to ensure there is no misuse or abuse of this business tool.

Procedures should be developed to ensure use of an owned or chartered general aviation aircraft is utilized as a management tool for improving efficiency and effectiveness in the marketplace. Business aircraft use policies will vary depending on a company's size, mission, business reasons for aircraft ownership, and other factors.

Key components of a Business Aircraft Use Policy typically include:

1. Objectives of Business Aircraft Use Policy
2. Purpose of the Business Aircraft
3. Methods to Achieve the Purpose
4. Access to the Aircraft
5. Special Uses
6. Scheduling
7. Charges
8. Restrictions on Travel of Key Employees on Same Aircraft
9. Security
10. Aircraft Operating Standards and Pilot Authority
11. Additional Information

General Aviation Resource Guide

Manufacturers

Airbus <http://www.airbus.com>
Boeing <http://www.boeing.com>
Bombardier <http://www.bombardier.com/en/aerospace>
Cessna <http://www.cessna.com>
Dassault Falcon <http://www.dassaultfalcon.com>
Embraer <http://www.embraerexecutivejets.com>
Gulfstream <http://www.gulfstream.com>
Hawker Beechcraft <http://www.hawkerbeechcraft.com>
Pilatus <http://www.pilatus-aircraft.com/>
Sikorsky Aircraft <http://www.sikorsky.com/Index>
Socata <http://www.tbm850.com/>

Fractional Ownership

Avantair <http://www.avantair.com>
CitationAir <http://www.citationair.com>
Executive AirShare <http://www.execairshare.com>
FlexJet <http://www.flexjet.com>
Flight Options <http://www.flightoptions.com>
NetJets <http://www.netjets.com>
PlaneSense <http://www.planesense.com>

Jet Cards/Membership Companies

Delta Private Jets <http://www.deltaprivatejets.com>
FlexJet25 <http://www.flexjet25.com>
Flight Options JetPass <http://www.flightoptions.com/programs/jetpass-membership.html>



NetJets Marquis Jets <http://www.marquisjets.com>
OneSky <http://www.onesky.com>
Sentient <http://www.sentient.com>

On Demand Charter: Certificated Operators

Due to space limitations, below is just a small sampling of the 2,000+ certificated charter operators in the U.S (and even more around the globe). A larger listing of operators may be found under the "Air Charter-Passenger Charter (Part 135)" category of NBAA's Products & Services directory on-line at: <http://data.nbaa.org/prodsvcs/directory/search.cfm>.

Delta Private Jets <http://www.deltaprivatejets.com>
Executive Jet Management <http://www.executivejetmanagement.com>
Jet Solutions, LLC <http://www.jetsolutions.com/>
Meridian Air Charter <http://www.meridianaircharter.com/>
Open Air, LLC <http://www.flyopenair.com/>
Solairus Aviation <http://www.solairusaviation.com/>
TWC Aviation <http://www.twcaviation.com/>

On Demand Charter: Brokers

Air Partner <http://www.airpartner.com>
Air Royale <http://www.airroyale.com>
Celebrity Jet Charter <http://www.celebrityjet.com>
IGoJet, LLC <http://www.igojet.com>
Le Bas <http://www.lebas.com>
Sentient <http://www.sentient.com>

On Demand Charter: Online Directories

Avinode <http://www.avinode.com>
CharterX <http://www.charterx.com>

Audit Standards, Safety Reporting & Research Tools

In addition to government safety requirements, these organizations/firms provide safety audit standards/services and detailed safety reports:

ARG/US <http://www.aviationresearch.com>
International Standard-Business Aircraft Operations (IS-BAO): http://www.ibac.org/is_bao
WYVERN <http://www.wyvernltd.com>

Flight Tracking

FlightAware <http://www.flightaware.com>