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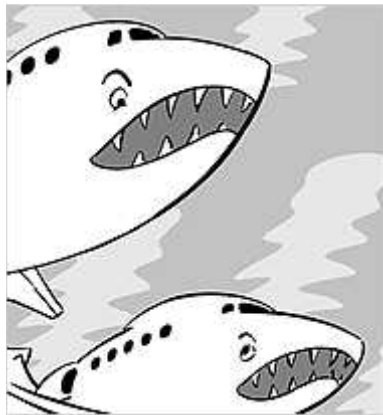
On The Road

Jostling in the Skies for the Business Jet Set

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THE business jet industry, surging as airline delays keep pushing new passengers into more expensive private jet flying, is undergoing some basic competitive readjustments.



Chris Gash

One is a move that will be announced today by NetJets, the company that 20 years ago introduced the concept of selling fractional shares of private jets and managing them for clients.

NetJets will eliminate much-disliked “ferry fees” — charges for flying and repositioning an empty airplane to or from a client’s destination — for many flights between the continental United States and major foreign destinations. NetJets, which has a worldwide fleet of 694 business jets, does not now charge ferry fees within the continental United States.

“My salesmen have been begging me to do this for five years,” said Richard T. Santulli, the chief executive.

As always, the question about business jets is: O.K., how much? How much, in this case, does a shareholder save?

Take a weeklong trip between Teterboro in New Jersey, the major business jet airport in the New York area, and St. Martin in the Caribbean, on a speedy eight-seat Citation X large-cabin jet. That’s about seven hours of total flying time, and another seven hours of ferrying the airplane from and to. The ferry fee would have been about \$15,000, Mr. Santulli said.

The new policy divides destinations into four zones. Ferry fees for light jets like Hawker 400XPs and Citation V Ultras are waived for Mexico and the Caribbean. Owners of midsize jets like Hawker 900XPs and Citation Sovereigns also get waivers for Central America, and Hawaii is added for owners of supermidsize jets like Citation Xs and Hawker 4000s. For owners of large-cabin jets like Falcon 2000EXs and Gulfstream 450

and 550s, ferry fees are also waived for major destinations in Europe, Central Europe, the Mediterranean and Russia. NetJets has more than 60 of the big Gulfstreams.

NetJets, owned by Berkshire Hathaway, has expanded significantly internationally, especially in Europe. Asked one day last week how the NetJets fleet was deployed at that moment, Mr. Santulli tapped on his keyboard and said: "It's a slow day. We'll have about 452 revenue trips here in America. Our Gulfstreams are in 15 different countries; our European fleet is in 30 countries; we have airplanes in China, a couple in Russia, a lot all over Eastern and Western Europe; some in Mexico; six in the Caribbean."

In recent years, NetJets has been depending on a new source of revenue — selling business jet trips by the hour rather than just selling fractional ownership shares in an airplane. The company's Marquis Jet Card program sells flight time on specific models in 25-hour blocks, without the complications (or potential tax benefits) of actual ownership. Twenty-five hours of flying time on a light jet, for example, costs about \$140,000 a year. The jet card business now accounts for most of NetJets' growth, Mr. Santulli said.

Fractional shares are sold in increments starting at one-sixteenth of a share in a plane (which provides about 50 hours of annual flying time). The average NetJets fractional-share owner spends about \$300,000 a year on flying over and above the initial purchase cost, Mr. Santulli said.

One of dozens of competitors in the market, however, says that the fractional ownership market is flat, and that the jet card model, whether sold by NetJets or other companies, does not adequately serve one of the industry's fastest-growing segments, the high-volume business jet flier who needs a lot more than 25 or even 100 hours a year.

XOJet Inc. has 12 Citation X jets with eight more on order. While the company sells flight time by the hour, when available, its main customer base is a growing breed of traveler who contracts to fly "200 hours or 500 hours or more a year," said Nick Solinger, the chief marketing officer.

About 11,000 business jets are now in the skies, up from about 6,000 in 2000, according to industry data. Major manufacturers are selling all the airplanes they can make, and individual aircraft are flying more hours than ever. "You see the high-volume business traveler really stepping up," said Mr. Solinger, who says his average customer flies 300 to 400 hours a year on a Citation X. "That's what's driving the industry's growth."