when one jet isn't enough

COMPLEX ITINERARIES? MAYBE YOU NEED MULTIPLE SHARES_by James D. Butler

TO DETERMINE THE BEST FRACTIONAL INVESTMENT, the first thing you have to do is consider your travel profile—including where you fly, how long your trips are, how many passengers you carry, how much luggage you take, what aircraft you prefer and, of course, how much you are willing to spend. Analyzing this information, you can often come up with a single, best solution. But sometimes it's more complicated.

In one recent case, a client of my firm told us that he flies lots of short hops with only one or two passengers but also takes longer trips with more passengers and baggage. Complicating the analysis further, his longer trips are to out-of-the-way airports with short runways but, at the same time, he doesn't like fuel stops. Also, he's fairly tall and prefers to be able to stand in the cabin. Finally, he takes one trip each year to a destination in Central America.

In developing a needs analysis for this client, whom I'll call Ben, we determined that he required 75 hours of flight time per year. Based on his trips, 25 hours of that could be serviced in a light jet, while 50 hours required a mid-size model.

This analysis raised lots of questions, both about the appropriate aircraft and about how best to structure the investment:

- Which program offers a light jet with sufficient cabin height?
- Which program offers a mid-size jet that can land on a relatively short runway and has the range to fly Ben to his out-of-the-way destinations without a fuel stop?
- Which program will fly the trip to Central America?
- How is Ben's investment best structured between the aircraft?
- Should Ben consider purchasing shares in two programs?

Ben expressed a strong preference for using a major fractional provider, so we limited our search to these companies. Initially, we found that none could fully meet his needs. One had a light jet with sufficient headroom, but not a mid-size jet that fit the bill. Two companies had the right mid-size jet, which Ben had flown previously and liked, but not a light jet that met his cabin requirements. One company would not fly to Central America through its fractional program.

What to do? We convinced one of the providers with the right mid-size jet to offer Ben a demonstration flight on its light jet. After that flight, he decided that this light jet could work for him.

Having determined the appropriate aircraft for Ben's mission, we then turned to how best to structure his investment. We considered splitting it between two providers. Theoretically, this would provide greater flexibility. If one provider couldn't service a particular flight, Ben could call on the other one. However, neither provider would sell Ben a 25-hour share unless he also was purchasing a larger share. Even without that stumbling block, we found that the providers weren't willing to offer as good a deal for a smaller share as they would for a larger one. (Indeed, some providers charge higher management fees for smaller shares.) They also were less willing to offer enhancements for smaller shares, like short-leg waivers that could add significant value for Ben, given his substantial number of short flights. Thus, we decided that purchasing the shares through a single provider was his best option.

ONE COMPANY LACKED A MID-SIZE JET THAT FIT THE BILL. ANOTHER WOULDN'T FLY TO CENTRAL AMERICA.

We then considered how Ben should structure his share purchase. Should he obtain a 75-hour share in the light jet with upgrades when necessary to a mid-size jet? A 75-hour share in the mid-size jet with downgrades when necessary to a light jet? A 50-hour share in the mid-size jet and a 25-hour share in the light jet? Taking into account the management fees, purchase price, cost of capital and interchange rates (variable charges for flight time applied to upgrades and downgrades), we ultimately determined that Ben would be best served by purchasing a 75-hour share in the mid-size model and downgrading when necessary to a light jet. (We also considered purchasing 25 hours through a fractional jet card, but found that would increase Ben's current cost and leave him open to steeper price increases in the future.)

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The foregoing offers a simplified version of the analysis we did for Ben and, of course, his profile is unique, as is yours. However, if your needs suggest that two different aircraft may best service your missions, you may find that his story offers you a pathway to a successful outcome. ■

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