

**Deloitte**

# The Sky is The Limit

Understanding Ownership and Use of Private  
Aircraft



Audit • Tax • Consulting • Corporate Finance •

# Benefits and Alternative Forms of Private Aircraft

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# Benefits of Private Ownership

## Why Fly Privately...

- Comfort
- Security/Safety
- Privacy
- Convenience
- Flexibility
- Efficiency

# Complete Ownership

## Advantages

- Availability/Accessibility
- Full control over costs
- Configuration can be customized
- Prices are currently low on *used* aircraft
- Age and history of aircraft are known facts
- Tax benefits
- *May* operate under less stringent FAA Part 91 Certification

# Complete Ownership

## Disadvantages

- Substantial initial investment
- Cost of idle time and deadhead time
- Capacity and length of flight limited to one type of aircraft
- Consumption of time to manage and operate
- Scheduling
- Valuation risk

# Complete Ownership

## Criteria for Usage

- Anticipated flying time >400 hours per year
- Flexibility/Timing important
- Origination and termination locations are similar
- Require only one aircraft per day
- Passenger load remains fairly constant

# Complete Ownership

## Small to Midsize Business

### Aircraft

- Bombardier Learjet
- Cessna Citation Bravo
- Cessna Citation Encore
- Raytheon Beechjet



Cessna Encore



# Complete Ownership

## Midsize to Large Business

### Aircraft

- Bombardier Challenger
- Cessna Citation Sovereign
- Cessna Citation Excel
- Dassault Falcon
- Gulfstream G Series
- Raytheon Hawker 800XF



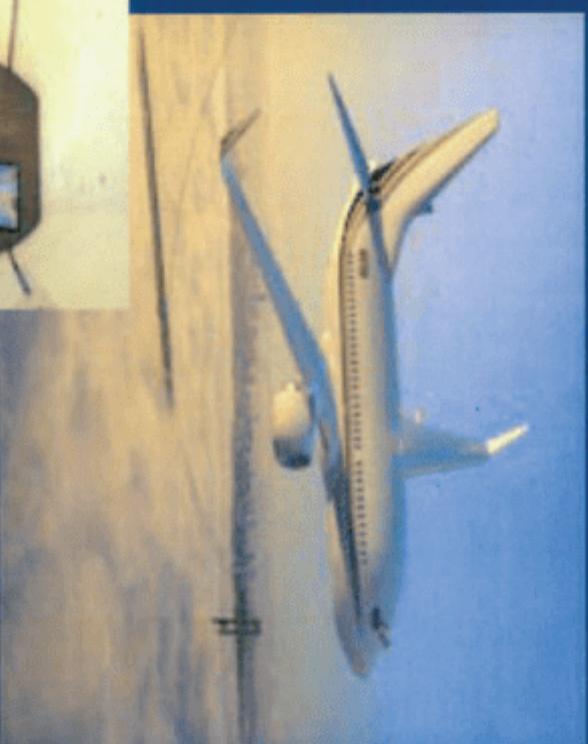
Gulfstream 200



# Complete Ownership

## Large and Superlarge/Regional Business Aircraft

- Boeing Business Jet
- Bombardier Global
- Bombardier CRJ
- Bombardier Q Series



Boeing Business  
Jet



# Complete Ownership

Aircraft	Price
Cessna Citation Encore	\$7,000,000 – \$8,000,000
Bombardier Learjet	\$9,500,000 - \$11,000,000
Cessna Citation Excel	\$9,500,000 - \$11,000,000
Raytheon Hawker 800XP	\$12,000,000 - \$13,000,000
Cessna Citation Sovereign	\$15,000,000 - \$16,000,000
Bombardier Challenger	\$16,000,000 - \$20,000,000
Gulfstream 200	\$16,500,000 – 18,500,000
Dassault Falcon 2000	\$23,000,000 - \$25,000,000
Bombardier Global	\$30,000,000 - \$35,000,000
Boeing Business Jet	\$42,000,000 - \$45,000,000

# Complete Ownership

## Risk Factors

- Extended selling period
- Low residual value
- Major repairs
- Owner is in “Operational Control”
- Liability can be High

# Fractional Ownership

- Purchase a share of a specific type of airplane from an operating company
- 1/16th share minimum purchase (approximately 50 hours of flight time per year)
- 5 year management contract usually required
- Remarketing fee for early termination

# Fractional Ownership

## Cost

- Initial purchase – dependent upon size & type of aircraft
  - New aircraft (1/16th share) - \$280,000 to \$1,500,000
  - Used aircraft (1/16th share) - \$265,000 to \$1,250,000

# Fractional Ownership

## Cost

- Management fees – dependent upon size & type of aircraft
  - Range from \$70,000 to \$150,000 annually for a 1/16th share
  - Premium for lower ownership percentages
- Fees cover:
  - Flight Crews
  - Training
  - Hangar Fees
  - Maintenance
  - Insurance
  - Other Administrative Issues

# Fractional Ownership

## Cost

- Hourly Usage Fees
  - Range from \$1,400 to \$2,700 per flight hour
  - Occupied hourly fee same for new and used aircraft
  - Fees cover:
    - Fuel
    - Catering
    - Other Flight Related Costs

# Fractional Ownership

## Advantages

- Lower upfront capital outlay
- Guaranteed availability
- Professionally managed and maintained
- Flexibility
- Quick response times
- Usually does not include fees for deadheading or taxing time
- Guaranteed buyback (at FMV) with most companies
- Tax benefits

# Fractional Ownership

## Disadvantages

- More advance notice required than with complete ownership
- Monthly fixed fee set by management company without owner input
- Resale market can be limited (Valuation risk)
- 5-Year commitment usually required
- Liability is greater than Charter
- Operate under new Part 91 Subchapter K with rules similar to on demand charter operators, Part 135

# Fractional Ownership

## Criteria for Usage

- Anticipated flying time is 50-400 hours per year
- Require more than one plane at once
- One-way or extended stay trips
- Cost of plane being out of service is a major issue/concern
- Need for varying types of aircraft

# Fractional Ownership

## Risk Factors

- Resale Value
- Dependent on quality of program manager
- Owner is in “operational control”
- Liability greater than charter
- No control over annual fixed fee

# Fractional Ownership

## Bombardier FlexJet

- Minimum interest – 1/16th share (i.e. 50 hours)
- Additional increments of 1/16th share
- Put option available 24 months after purchase (remarketing fee applies)
- Access to fleet of small, midsize and large aircraft

# Fractional Ownership

## Citation Shares

- Minimum interest – 1/16th share (i.e. 50 hours)
- Additional increments of 1/32nd share
- Put option available 12 months after purchase
- Access to fleet of small and midsize aircraft
- Additional fuel surcharge may apply

# Fractional Ownership

## NetJets

- Minimum interest – 1/16th share (i.e. 50 hours)
- Additional increments of 1/16th share
- Put option available 24 months after purchase
- Access to fleet of small, midsize, large & superlarge aircraft
- Monthly management fee adjusted annually; increase will not exceed the greater of Consumer Price Index-Urban or 3.75%

# Charter

- Services contracted on a trip by trip basis
- Cost dependent upon:
  - Size of aircraft
  - Type of aircraft
  - Length of trip
  - Type of trip (one-way vs. round trip)

# Charter

## Advantages

- No initial capital outlay
- No fixed costs
- Flexible choice in type of plane and departure time
- Potentially no charge for deadhead time
- No management time required
- No valuation or operational risk
- Charter company is in “Operational Control” of the aircraft

# Charter

## Disadvantages

- May require up to several weeks notice for use (national companies)
- Cost may include charges for deadhead time
- Varying levels of safety/maintenance standards
- Smaller fleet of aircraft than other options

# Charter

## Criteria for Usage

- Anticipated flying time is 0-50 hours per year
- Annual utilization difficult to predict

# Charter

## Risk Factors

- Consistency of aircraft quality
- Hidden charges
- Possible deadhead or taxiing charges

# Charter

## National Charter Companies

- Bombardier SkyJet
- Delta AirElite
- Executive Jet Management (NetJets)
- Jet Aviation
- PrivatAir
- TAG Aviation

# Charter

## Local/Regional Charter Companies

- Quality may vary within this category
- Less flexibility (variety of aircraft, lead time required)

# Charter Brokers

- Middle men between passengers and charter companies
- Coordinate/consolidate flights to avoid deadheading or idle time
- Utilize consultants to audit various charter operators
- Cost dependent upon
  - Type of aircraft
  - Size of aircraft
  - Length of trip

# Charter Brokers

## Advantages

- No upfront acquisition costs
- Unlimited type of planes available from charter company
- Lower per hour charges than straight charter
- Block charter (Flight cards) arrangements available

# Charter Brokers

## Disadvantages

- No control over charter company used
- Consolidator not responsible for issues arising after flight is set up
- Inconsistency in age and quality of plane

# Charter Brokers

## Criteria for Usage

- Minimal anticipated flying time
- Flexible schedule so that you are able to adjust to provider's availability

# Charter Brokers

## National Charter Brokers

- Sentient
- Air Royale International
- Blue Star Jets