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Who Manages Your Aircraft?

With regulatory, operational, tax and financial issues to be considered, owning a business aircraft can be a complex task. Not surprisingly, there are many companies out there who are willing to help you manage your aircraft and even make a way for you to generate some income from your jet when you do not need it. On the other hand, for those who fly frequently but find the whole process of full aircraft ownership too daunting, fractional programmes can make sense. **Dan Smith** takes a look at these options and more.



One of the first things you will need to decide when you purchase a business aircraft is how much involvement you want to have in its management. Increasingly, many owners are opting to use a management company to look after their aircraft. Most companies offer different levels of support, ranging from a full package, where the management company oversees everything from flight coordination to aircraft administration, maintenance, operations and crew management, to partial packages where you agree to look after some responsibilities yourself. Owners who opt for the full package can benefit from the management company's bulk discounts on items such as fuel and insurance and other economies of scale. According to Paul Van Der Blom, Director Aircraft Management at the ExecuJet Aviation Group, most of their clients opt for the full management package. "It varies from region to region, but the split is about 60% full management to 40% partial worldwide," says Van Der Blom.

Keeping up with the increasing levels of regulation is a major task for aircraft owners. Van Der Blom believes that initiatives such as the rules on emission trading in the European Union will greatly increase the number of aircraft under management. "Aircraft owners will need to join with an organisation just to keep up with new regulations," says Van Der Blom. ExecuJet is already seeing an increase.

Bangkok-based MJETS has just signed its first contract to manage an aircraft on behalf of a private client, and discussions are continuing with others. "We are currently in negotiations with a couple of owners and we hope to sign contracts soon," Acting General Manager, Kerry Burns told *FlyCorporate*. "We see aircraft management as an important part of our business going forward."»

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Chartering to Reduce Costs

If you do not need to utilise your aircraft all the time, look for a management company that can charter your jet out and generate some return from your asset. "The goal should not be to generate profit," cautions Andreas Pfisterer, General Manager of ExecuJet Switzerland. "Chartering is merely a way of reducing your costs." The amount of time you make your aircraft available is entirely dependent on your needs.

Owners who have, for whatever reason, decided to park their aircraft may benefit from placing it with a management company. "There is a popular view that parking an aircraft doesn't cost anything," says Pfisterer. "But if it is to remain in a flyable state, regular maintenance is required." That maintenance may include periodically starting engines and auxiliary power units, protecting interiors and avionics and preparing them for flight when the plane comes out of mothballs.

Aircraft that will be made available for charter must be registered under a commercial Air Operator's Certificate (AOC). Larger management companies will be able to offer you a choice of AOCs. Selecting which one to use is complex and may have tax implications. "In Europe [ExecuJet has] four AOCs: British, Danish, German and Swiss," explains Van Der Blom. "Which one you use depends on your needs. We can give general guidelines but we recommend our clients get independent tax advice before choosing."

Keeping Up With Regulations

New mandatory Overseas Territory Aviation Requirements (OTAR) come into force on 1 November for business aircraft registered in Bermuda. Aircraft registered in the Cayman Islands are likely to be affected from the first quarter of 2010 with other overseas territories such as Gibraltar and Anguilla following later. The ExecuJet Aviation Group is one of the few companies worldwide that is already certified to provide the services required to comply with these new requirements.

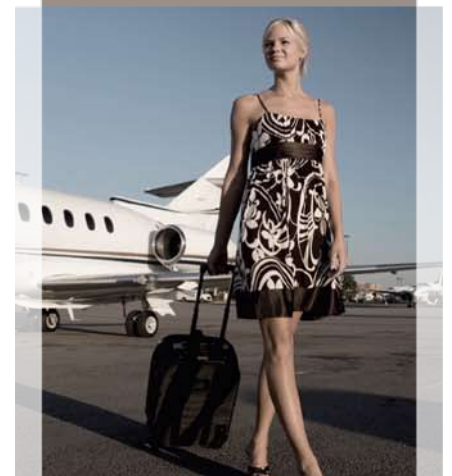
While most scheduled maintenance of your aircraft will be covered in your management agreement, unscheduled maintenance is usually not. The costs can be severe, especially if an engine or other major component needs to be overhauled or replaced. Depending on the problem, the work can either be done in-house or contracted out to another organisation. "As your management company, we take care of it in-house if possible," says Van Der Blom. "If we do have to get someone else to work on the aircraft, we check the work when it comes back and we check the invoices to make sure you are not being overcharged."

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"The amount of time you make your aircraft available is entirely dependent on your needs"

A Fraction of Your Worries

Frequent users of business aviation can avoid all the hassles of owning by enrolling in a fractional ownership programme. The management company usually owns the aircraft and sells a number of shares in it to their clients. "The fractional ownership model is here to stay here," says Graeme Weston, COO of NetJets Europe. "We believe that it offers the best value service for those who fly frequently, but not enough to justify the cost of owning a private aircraft."

For those interested in this model, NetJets Europe offers the Owner Programme. Based on the concept of fractional ownership, the Programme allows "owners" to buy a share of an aircraft equal to the anticipated number of hours they usually fly each year. You can start with as little as 1/16th of an aircraft (equivalent to 50 hours). "A share in a NetJets aircraft offers companies and individuals access to an entire fleet for a tiny fraction of what it costs to buy and maintain a sin-

gle aircraft," says Weston. "It's all about transparency and paying for what you use. In an economy when cash is king, fractional ownership allows for efficient use of capital."

Cards and Blocks

For even less commitment, many charter companies operate card programmes where the cardholder pays for a number of hours and can use them up over a defined period, normally one or two years. NetJets has two options says Weston: "We offer the Private Jet Card aimed at individuals, which provides 25 hours of flight time, and the Corporate Card that targets companies and again allows for 25 hours of flying time to be used over a 24-month period." Prices vary depending on the type of aircraft you utilise.

MJETS offers a similar scheme, which it calls Block Hours. Clients pay for a set number of flight hours per month or year and then book their trips as needed. The programme guarantees that the custom-

er will be able to fly the number of hours they have paid for without having to worry about aircraft breakdowns or repairs as alternate aircraft are always available.

With the wide variety of management, ownership and aircraft charter programmes available on the market, access to business aircraft can be had, whatever the level of commitment. Weigh your time, expertise, resources, and usage requirements, and select a reputable and qualified partner to serve your needs. Faced with an onslaught of regulations and market fluctuations, ensuring aircraft are well attended to by experienced and knowledgeable management – whether in-house or outsourced – is critical. Business aircraft ownership is easy... if you can manage it. ■



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