SPECIAL REPORT

Spotlight Returns to Jet Cards

By SONIA KOLESNIKOV-JESSOP
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SINGAPORE — When the auto chiefs in Detroit flew to Washington to ask for bailout money last year, their corporate jets became instant symbols of boardroom excess and insensitivity.

Other boardrooms got the message: under political, public and shareholder pressure, corporate jet fleets have been shrinking and business flight activity is generally down. According to the Aviation Research Group, which is based in Cincinnati, U.S. business flight activity, measured by the number of take-offs and landings, dropped an average of 1.8 percent each month through the year to the end of March, with the total number of business flights falling more than 20 percent from the previous year.

Still, executives need to fly, sometimes on short-notice or to get to hard-to-reach places, and time is money. Some companies also face security concerns that may best be met by use of a private jet.

That combo puts the spotlight back on jet card programs, which do not require a long-term capital commitment, avoid the risk of depreciating assets and allow users, usually for a minimum $100,000, to purchase blocks of flight time in private aircraft.

“Jet cards are low commitment and great for the corporate market. They are cost-predictable, you know up front how much your 25 hours to fly out will cost you,” said Kenny Dichter, founder and chief executive of Marquis Jet Partners, which, with 4,000 Marquis Jet cards in the United States, is the largest jet card operator in the world.

“In the last 12 months, we’ve seen deleveraging in the whole aircraft market,” Mr. Dichter said. “As corporations sell off assets we are seeing more and more corporate lift coming to our Marquis Jet program. Overall, our membership has remained steady over the last 12 months. Given that the on-demand charter market in the U.S. is down close to 50 percent, according to our own research, I would say our stability in member base is a very bullish sign for the card business.”

Prepaid jet membership cards first appeared in the United States in 1999, pioneered by Sentient Flight Group. The cards have since spread to Europe, but remain something of a novelty in Asia.

Bjets, which started a fractional ownership and block charter jet business in September, operating out of Singapore and India, includes a prepaid 25-hour Altitude Card program in its service offering. Prices, depending on aircraft type, start at $123,750. Mark Baier, the company’s chief executive, said client feedback had been good — though, citing reasons of commercial confidentiality, he declined to say how many cards had been sold.

In February, VistaJet, the largest European private jet carrier, partnered with Bird Group, an Indian travel conglomerate, to enter the Indian market, offering membership card deals allowing the flexible bulk purchase of 25 hours or more of flight time. Same-day return flights are priced at a 20 percent discount.

In March, two companies based in Hong Kong — Asia Jet, a private aviation service company and Metrojet, a fleet operator — teamed up to offer the Asia Jet Card, which gives priority access to a fleet of five Gulfstream jets through three prepayment programs priced at $100,000, $250,000, or $500,000. Flight time is charged at a fixed hourly fee of $5,900, plus handling fees, which usually average about $2,000 per hour.

“The card fills the market gap for clients who still want regular access to a jet with international service and safety standards, without the added costs of owning it,” said Justin Lee Firestone, founder and chief executive of Asia Jet.

“Our card membership program is really about personalizing the experience,” Mr. Firestone said. “You consider the customer’s allergies and preferences, the type of music he or she likes, foods, magazines.” More than an air taxi service, “with card membership you can build a profile around the customers.”

Mr. Firestone said the Hong Kong market for business jet flights was expanding rapidly, despite global economic turmoil. “Last year, there were 4,000 private jet movements out of Hong Kong, which is a 20 percent year-on-year average growth for the last five years,” he said. “We estimate two-thirds of that is chartered planes and one-third privately-owned planes.”

About 65 percent of Asia Jet’s business is in Southeast Asia, he said; but large second-tier Chinese cities, like Changhsa, Chengdu and Xian, which are poorly served by commercial airlines, offer big growth opportunities.

The company’s card program has so far attracted a dozen members since starting last month, Mr. Firestone said, adding the company expected to stop offering on-demand charters later this year to concentrate on servicing card members. Asia Jet has two more aircraft on order: one, based out of Kuala Lumpur, will be delivered next year; the other should be delivered in 2011.

Still, despite Asia Jet’s success with cards, some other operators say plain-vanilla chartering remains the best bet in Asia, for now. Executive Jets Asia, based in Singapore, which started offering fractional ownership in 2006, has since refocused to provide on-demand charters, mainly for medical evacuation flights through its subsidiary Flying Doctors Asia.

“The executive part of our business has not been growing. In fact corporate business has dropped off quite a bit in the last year,” Prithpal Singh, chief executive of Executive Jets Asia, said. “As a result, we have converted most of our jets into flying ambulances. This segment of the market has been growing strongly and represents now about 80 percent of our business.”

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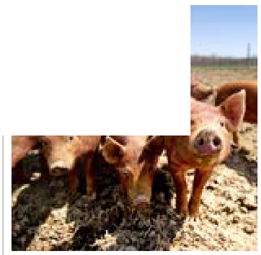

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