



FLIER EDUCATION

Private business aviation offers intelligent travel options that are safe, reliable and easy to use. They also make financial sense

Be it for business or pleasure, if you wish to fly from Point A to Point B, you want to do so conveniently, dependably and securely no matter the location of A and B. Professionals across all industries require these things of aviation, and their choices of where to find them are clear: commercial airlines or private aviation—or a combination of both, as a significant share of private flights connect their passengers with commercial flights.

Both commercial and private aviation were equally hard-hit by the one-two punch of the economic crisis and rising fuel costs. Commercial airlines countered predictably to increase revenue, running at maximum seating capacity, concocting new fees such as those for baggage and charging for meals and even blankets.

When you consider the other realities of

commercial air travel—wasted hours due to the connection delays built in to hub-and-spoke routing; the snail-like pace of restrictive security procedures—the total “block time” consumed by even the shortest airline trip is significant. And privacy? It’s virtually nonexistent on an airliner.

Astute travelers, however, are aware that private jet travel is convenient, comfortable and secure, and know that time in the air isn’t time lost. The increasing availability of in-flight voice and Internet connectivity—virtually useless to business travelers in a crowded airline cabin—allows for maximum productivity in a private jet.

U.S. businesses are taking an increasingly organized approach to business aviation.

Reducing hassle

Business travelers today are presented with an unprecedented array of options for access to business jet travel, ranging from full or fractional aircraft ownership to so-called jet cards, which provide varying degrees of

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Based on a minimum Jet Access purchase of 50 hours on a Citation Sovereign with a prepayment discount and March 2011 fuel.



The Citation Ten is a complete updating of its predecessor, the Citation X, with new electronics in the cabin and cockpit.

on-demand access to business jet fleets. Private jet capacity is plentiful even for non-owners, with on-demand charter flights available worldwide.

Many management companies provide services to aircraft owners that eliminate the hassle factor of running an in-house flight operation. They hire and train crews, maintain the airplane and often make all travel arrangements for passengers. To mitigate ownership costs, owners can have the management company make their aircraft available for charter under the management company's FAA-issued charter certificate.

Based on travel requirements, a company or individual can opt to purchase a fractional share of an aircraft—from 1/16th to the entire aircraft—in a fleet operated by a fractional ownership company. Such customers are guaranteed access to a flight on their primary or other fleet aircraft.

Gaining altitude

At the General Aviation Manufacturers Association (GAMA) "State of the Industry" press conference in February, GAMA Chairman John Rosanvallon, president and CEO of Dassault Falcon, noted, "Despite the pain caused by the downturn, we are now seeing strong GDP growth on a global level and corporate profits are up."

Consulting firm Aviation Research Group/US (ARGUS) seems to corroborate that claim by reporting that, year on year, U.S. business aviation activity is well up in 2011. ARGUS reports that nationwide takeoff and landings of turbine-powered business aircraft operating under instrument flight rules in March 2011 were up 4.7 percent over March 2010. For the same time frame,

privately owned business aircraft activity was up 9.5 percent, and fractionally owned airplanes were flying 5.7 percent more. Global year-to-date charter flight demand is riding comfortably up by double digits, as

reported by Avinode Business Intelligence.

The conclusion can be drawn that U.S. businesses are taking an increasingly organized approach to their business aviation travel options, with a mix of privately and fractionally owned aircraft, jet card programs and on-demand charter flights.

Building momentum

Business jet manufacturers, fully aware of the lag between economic recovery and aircraft deliveries, are using the time to invest prudently in product-line extensions and upgrades to engines, avionics and aerodynamics—generally tidying up their product lines to generate efficiencies that make their new aircraft more attractive to owners, fractional operators and charter companies. In effect, they are girding for competition with their own products from a swollen used aircraft supply. Further, they are reaching out to financial institutions worldwide to raise the comfort level with aircraft finance in an attempt to widen finance opportunities for aircraft purchasers.

For its part, Cessna Aircraft Co. (part of Textron) is preparing for the upturn with a complete refresh of its popular high-speed Citation X, with winglets and new cabin and cockpit electronics (including the engineered-in option for in-flight Internet access). It will be renamed Citation Ten to differentiate it from its already respected predecessor. Cessna is also refreshing its full Citation product line, discontinuing production of slow-selling models, and has introduced the new Citation CJ4, first delivered last year.

The Wichita-based manufacturer, like many others, is further strengthening its aftermarket services, including parts and maintenance, and has undertaken a "Lead the Fleet" initiative to build

Business is looking up

Private business aircraft activity, March 2011 vs. March 2010

SOURCE: ARGUS



Nationwide total

↑ **4.7%**



Privately owned

↑ **9.5%**



Fractionally owned

↑ **5.7%**

TRIPLE THREAT

SPEED: 518 MPH
RANGE: 2,298 SM
COST: 35% LESS



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Competitive Analysis

Aircraft	Cost
Flight Options PHENOM 300	Lowest Cost \$4,100 / hr
CitationAir Citation XLS	\$6,389 / hr
Flexjet Learjet 40XR	\$5,254 / hr
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worldwide customer support infrastructure in advance of aircraft population in newer markets, particularly in Eastern Europe and Asia, with a focus on China.

Citation operators also have access to a new offering called ServiceDirect, says Brad Thress, Cessna's senior vice president of customer service. ServiceDirect is designed to provide a range of technical support options outside of the company's service centers. This includes on-site maintenance operations and long-term logistics support, including quick-response airframe and powerplant technician availability and contract support. Mobile service units are positioned in North Carolina, Texas, Arizona, Southern California, South Florida, Ohio, Colorado and Indiana, to provide a range of customer service options for Citation operators.

As part of its aftermarket services to new Citation buyers, Cessna also offers management services by Greenwich, Conn.-based CitationAir, on condition that the aircraft be available for charter to CitationAir owners or cardholders. CitationAir's 85-aircraft fleet of newer Cessna Citations consists of the six-passenger Citation CJ3, nine-passenger Citation XLS, longer-range Citation Sovereign and seven recently added high-speed Citation X aircraft. Maintenance is performed by factory-owned service centers, allowing CitationAir to focus on operations and service.

According to CitationAir Senior Vice President and Chief Revenue Officer William B. Harford, non-owners can access the CitationAir fleet through two card products. He says that the company's business mix is "55 to 60 percent fractional ownership, 20 to 25 percent jet card and 20 to 25 percent aircraft management." He is aggressively wooing fractional-share owners from competitors through his company's card products and new Jet Access product.

CitationAir's Jet Card is for people who fly less than 50 hours per year. The program is deliberately kept simple. There are no international fees, no handling fees and no repositioning fees. Hourly rates are locked in for a 12-month contract. For clients who need to fly more than 50 hours per year, the CitationAir Jet Access program provides time on CitationAir CJ3, XLS, Sovereign or X aircraft with a minimum 50-hour annual commitment. Basic terms are a non-refundable up-front access fee, akin to a management fee.

Jet Access is ideal for clients who don't want to tie up capital because there is an access guarantee but no downside asset-value risk, and "economics that match a fractional program," says Harford. "And they won't be whipsawed by the used-aircraft market," he notes.

Flight Options' iPhone app: news, pricing and info about Fractional and JetPASS Jet Card Programs, at your fingertips.



Options are plentiful

Cleveland-based Flight Options saw vigorous fractional share and jet card sales during Q1 of 2011, when share sales grew to four times the levels they were a year ago, and its 25-hour JetPASS sales climbed by 46 percent. Like some others in the business aviation arena, Flight Options does little on-demand chartering, according to CEO Michael Silvestro.

Flight Options' 100-aircraft fleet consists of seven-passenger Hawker 400XP and longer-range Embraer Phenom 300 light jets; eight-passenger Hawker 800XP and high-speed Cessna Citation X midsize jets; and the large-cabin, 13-passenger Embraer Legacy 600, with a three-zone, 1,410-cubic-foot cabin.

The company is also refreshing its fleet in a major way by ordering 100 state-of-the-art Embraer Phenom 300 aircraft, with an option to order 50 more. The Phenom 300 has proved immensely popular, with every one delivered pre-sold through mid-2011. But Silvestro says Flight Options is developing a new program by which Phenom 300 customers can begin flying immediately "regardless of when they take title to their share."

Flight Options has also announced a \$150 million order for 40 400XT aircraft from Nextant Aerospace, which will comprise the mainstay of its JetPASS card program. The 400XT's aerodynamic and engine improvements are expected to increase range by 50% relative to the current Beechjet platform, with accompanying benefits to clients, Silvestro says.

In an additional move, Silvestro says Flight Options is upgrading every Citation X in its fleet with elliptical winglets to boost fuel efficiency and increase range by approximately 7 percent, making it a true coast-to-coast aircraft and allowing the company to offer the Citation X at up to 30 percent less than other companies charge for similar aircraft. Flight Options will also offer the upgraded Citation X to its Hawker 800 clients for a simple upgrade fee. The cabin of the enhanced Citation X aircraft will be outfitted with onboard high-speed wireless connectivity.

Flight Options says its enhanced Citation X may well redefine industry expectations for midsize jets. "The industry has trained customers to believe that aircraft enhancements translate into higher pricing, but that's simply not the case," says Silvestro. "Our company is devoted to constantly improving operational efficiencies so customers pay less and get more." —Jim Swickard

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