



## Fractional jet ownership gains traction in lean times

### NetJets CEO sees increased demand as boards cut down on expenses

By [Aude Lagorce](#), MarketWatch

Last update: 9:07 a.m. EDT July 15, 2008

*An earlier version of this story incorrectly stated William Kelly's title.*

**FARNBOROUGH, England (MarketWatch) -- The current record-high fuel prices have led to an increase in demand for fractional ownership of business jets as big corporations find it more difficult to get their board's green light to purchase new aircraft, NetJets Transportes Aereos CEO William Kelly told MarketWatch.**

"We've seen an increase in use by corporate customers," said the head of Europe's leading business jet operator in an interview on the sidelines of the Farnborough International Airshow, the aerospace industry's top annual gathering taking place this week just outside London.

Demand for fractional ownership of private jets continues to rise in spite of sharp increases in fuel prices according to William Kelly, CEO of NetJets Transportes Aereos. (July 15)

"Executives are squeezing in two or three business meetings in a day in different cities whereas before they may have just have flown to one destination," he explained.

While commercial airlines are witnessing a decline in expensive first-class and business travel, the credit squeeze and the worsening economic environment are boosting demand for fractional ownership of business jets, an arrangement that allows individuals or companies to buy a share of a private jet for less than the cost of buying a plane.



The Hawker 4000

NetJets manages and operates the aircraft, providing crew management, trip scheduling, ground support and all maintenance.

The service is increasingly popular partly because company boards are becoming more reluctant to sign off on big

expenses such as the purchase of a new aircraft for use by its top executives when aggressive cost-cutting is being pursued elsewhere, Kelly said.

Joe Nadol, an analyst at J.P. Morgan, recently told clients that with corporate growth under pressure in the first half of 2008, the U.S. is likely to witness a slowdown in deliveries of new business jets in the medium term.

The number of used business jets for sale as a percentage of the global fleet in the U.S. has crept up to 7.2% from 6.2% in January, he noted.

NetJets, meanwhile, has seen no weakening of demand. Its customer base rose 5% over the past year, with particularly strong demand from corporate clients.

Today about 40% of the company's customer base is pure corporate, 25% to 30% is private and another 30% is a mix of the two, with the jet used for meetings during the week and leisure at other times.

For customers not ready to splurge on fractional ownership, NetJets offers private and corporate jet cards, providing 25 hours of flying time over a given period. For the private card, prices start at 131,000 euros, or about \$210,000, on a light jet.

These programs work as feeders to fractional ownership, with more than half of NetJets' fractional-share owners introduced via the corporate and private card programs.

Kelly is so confident in the strength of the company's business model and its ability to weather a downturn in the aerospace sector that he is expanding the fleet.

Last month he placed an order for 40 Gulfstream aircraft from a unit of General Dynamics ([GD](#)) in a deal worth about \$1.9 billion. Shortly before that, he bought 30 Dassault ([FR:012172: news, chart, profile](#)) Falcons, worth about \$1 billion at list prices, to be delivered between 2012 and 2016. Kelly said he expects to place additional orders by the end of the year.



William Kelly,  
NetJets CEO

The purchases came as airlines around the world slash capacity by retiring or grounding older aircraft. Some have even deferred or cancelled orders for new planes placed years ago as they struggle with a lethal combination of record-high fuel prices and slumping demand as the economy deteriorates.

Still, NetJets is not completely immune to the recent turbulence in the airline sector. Kelly said that over the past few months, he has seen a small increase in the number of customers wanting to exit their contracts early.

NetJets currently operates more than 140 business jets and has more than 1,600 customers across Europe. Last year its owners took 73,622 flights to 917 airports in 136 different countries-- a 55% increase in flights in the past three years.

By the end of 2008 the company expects to have 1,750 customers in Europe.

The fleet includes Hawker 400 XPs and 4000, Cessna Citation Bravos and Dassault Falcon 7Xs among other aircraft.