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Taking Business to New Heights

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There are good values in business aviation that can help corporate executives travel the world.

B **USINESS FLYERS, TAKE NOTE:** The stars are aligning. As the corporate aviation industry—and the global economy—emerges from the recession, opportunities for businesses eager to expand abroad, or even just streamline their domestic flying, are rebounding. Previously owned jets are still available at bargain prices. New airplanes are more capable than ever. Charter and fractional companies are offering great deals, and pay-as-you-go jet card programs are surging in popularity.

In short, no matter what your corporate profile, you can fly better, faster, through more

airports, and much more efficiently with business aviation than you can by routing your teams through commercial airline hubs. To many, this recovery is playing out precisely the way they expected. “Business aviation—a \$150 billion domestic industry—has historically followed the economy very closely,” says Ed Bolen, president and CEO of the National Business Aviation Association (NBAA). “We’re now seeing growth and stabilization, and as a part of that, there are many new ways to access all the aircraft that are available. You can tailor specific programs to your circumstances with surgical precision.”

It has been a brutal three years for the flying-office crowd—with companies scaling back their trips, new and used aircraft prices plummeting, and recessionary economics wreaking havoc on everything from fuel costs to maintenance to insurance. And there’s no doubt that the effects are lingering: It’s harder than ever to secure financing for jets if you’re a buyer, as opposed to someone



who charters or uses jet cards, and some think the aviation market has, in fact, changed for good.

"We're looking at a possibly permanent structural change in corporate aviation," says analyst Richard Aboulafia of Teal Group Corp. "Before the recession, there was basically an equal split between large long-range aircraft—those above \$25 million and capable of transoceanic flight—and the smaller, sub-\$25 million airplanes, such as the 'entry-level' Cessna and Hawker jets. But the big airplanes survived the downturn better than the smaller ones, and as a result they may continue to dominate, perhaps eventually taking up as much as two-thirds of the market. That's because more companies are stretched overseas and they need longer-range airplanes to maintain their strategic business interests."

Overall, the dust is generally settling and the business aviation market is looking up. Not only are corporate flights increasing—rising 17% between February and March, and 5% year-over-

year, according to aviation research firm ARGUS—but business jet sales are also improving. Used-aircraft inventories dropped from 3,100 nationwide in mid-2009 to 2,750 in March, and new jet sales to private owners and charter operators are growing by about 100 per year, having troughed in 2010 at 773 sales in the North American market. In fact, this year could be the perfect time to double down on all forms of business aviation. "It's a buyer's market," says aviation analyst Brian Foley. "Interest rates hovering around 6% are still relatively low, and new and used planes are selling at attractive prices." For example, he notes that used planes (up to 10 years old) are selling 30% to 40% below 2008 prices.

In terms of funding the airplane itself, aviation analyst Bill Quinn, chairman of Aviation Management Systems, emphasizes a conservative approach. "You can get financing for aircraft today," he says, "but they'll be taking much closer looks at your balance sheet and your FICO scores, and

Business aviation reaches 10 times as many airports as commercial airlines.

Sleek transporter: Citation X is fast and furiously efficient

CESSNA



Only 22% of passengers on business aircraft are top management. The rest are mid-level managers and/or technical, sales, and service staff.

SOURCE: NBAA



Luxury redux:
An inside look at the Cessna CJ4

you'll need a much bigger down payment of at least 20%."

The return on investment for owners of business jets is typically huge. Take Fort Wayne marketing and communications consultant Barry LaBov, who owns a Cessna CJ1. Since he purchased the six-passenger jet six years ago, it has helped the Midwestern firm increase its client base throughout the U.S. and Canada in places such as Chicago, New York City, and Boston. He uses it to meet with clients anywhere in the country at a few hours' notice. "It demonstrates our resourcefulness and our passion for our work," LaBov says. "We can arrive quickly, stay as long as we need to stay, and be flexible, whereas usually meetings are dictated by when your flight leaves and when you have to leave for the airport."

Ultimately, you want to structure your flight strategies so the payoff of flying is just that—a payoff. "We make a conscious effort to make sure we use the jet in an efficient manner by folding in multiple locations for each flight," LaBov says. "For instance, we'll fly to Detroit, drop two people there, go to New Jersey to drop off two more, and then head to Boston for one more person. Then at the end of the day we head back and gather them all up. It saves us significant money in airfares and incredible amounts of time. Just as important, it allows us to live locally but operate nationally."

DEVELOP A FLIGHT PLAN

Regardless of whether you have a flight depart-

ment already or are just now wading in, you'll need to consider all the nuances—market conditions for business jet operations, aircraft values, your company's own needs—in developing your strategy. Maybe a small jet makes more sense right now because of the pricing benefits, but maybe you need the extended range of a bigger bird. Or perhaps an outright purchase isn't the right move at all, and a fractional ownership or a series of charters is. "Folks are still in the frugal, financially responsible mode," analyst Foley says. "They're supplementing airplanes they own with jet cards, fractional ownerships, and even the strategic use of commercial flights."

Indeed, if the recent recession taught corporate fliers anything, it is how to be savvier consumers. According to Woody Harford, chief revenue officer for Cessna-owned jet services provider CitationAir, people who are reentering the market as new buyers or users are more astute. "In the past, people wouldn't necessarily use all the hours that they'd purchase with a jet card program," he says. "But now they're flying more aggressively. They're using all their hours, both to take full advantage of the programs and, of course, to achieve their business goals."

As a result, companies like his have had to stay on their feet to keep pace with the changing demand. CitationAir, which has 85 aircraft in its fleet including Cessna CJ3, XLS, Sovereign, and Citation X aircraft, recently launched its new Jet Access program to provide customers

A View from the Top

Cessna Aircraft CEO Jack Pelton shares his insights about the industry.

WHAT IS CESSNA DOING TO HELP ITS CUSTOMERS REBOUND FROM THE RECESSION?

Cessna is in a unique position—we offer a complete range of lift products for our customers, from new and previously owned Citations to on-demand options offered through CitationAir. We also have access to Textron's finance arm for aircraft financing. For the inter-

national customer, we have access to finance options from the U.S. Export-Import Bank.

HAS THE RECESSION SLOWED DOWN AIRCRAFT INNOVATION?

Not at all. We've chosen to continue emphasizing R&D across our product line. We announced our new faster and longer-range Citation Ten late last year, at the top end of our product line, and



Jack Pelton

THEY HAVE THE SAME LEVEL OF SUPPORT AS THEY DO DOMESTICALLY?

Yes. Our strategy is to establish customer service capabilities around the world ahead of our growing fleet. We've recently added capability in Europe, Thailand, China, Singapore, and Brazil, and we plan to enhance our capability in other markets, as well.

just recently announced the Corvalis TTX. This is our most advanced piston aircraft, and the first Cessna with no analog instruments. It's a completely digital cockpit.

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Companies use business aircraft as a strategic tool to explore new markets, improve relations with customers, close deals, and move specialist teams.



with another key option: securing the benefits of shared ownership without the risks of depreciation. “It’s essentially a larger version of our jet card program,” Harford says, “with a larger financial commitment of 50 hours, but with much more versatile access to the airplanes. If you fly a lot but don’t want to worry about ownership, this program is for you.”

Also, don’t look for silver-bullet solutions. Review all your options, from ownership to fractional to charter—or even commercial. Delta Private Jets, for example, offers multiple charter and membership options as well as its Air Elite Jet Card, which allows fliers to fold Delta Air Lines commercial segments into their private-jet-based itineraries. (Commercial segments can also include flights on Delta’s partners.) Travelers can receive 20% savings on the commercial legs and have the entire trip coordinated from a single account. Such tactics, experts say, will help you stay light on your feet in good times and bad.

STAY IN THE LOOP

Once you’ve settled on your strategy, there’s a final piece of advice to keep in mind: If the recent downturn has taught business fliers anything, it’s the importance of being active and involved in the flight community. The effects of the shellacking that corporate aviation took—as a result of the infamous 2008 visit to the nation’s capital by

automotive executives who flew there in corporate jets to ask for government bailouts—have largely diminished. But the impact of that visit underscores the value of maintaining a unified voice. Not only can this help with public perceptions, but having a broad perspective also helps flight departments manage internal expectations.

“Our business jet saves us money and incredible amounts of time. Just as important, it allows us to live locally but operate nationally.”

Barry LaBov, Communications Consultant

How to do this? The easiest way, experts say, is to communicate frequently with colleagues in similarly sized companies who also fly. Share strategies and compare notes. Also, consider turning to NBAA, which has a variety of missions, including educating the public about the wider benefits of business aviation, working to ensure a beneficial regulatory and tax environment for aviation, and coaching individual companies about how to improve their flight operations. Membership in the group can provide business management tools and the latest tax information so that you can maximize your airplane investment, whether you’re flying your own plane as a small business, or managing an entire fleet of aircraft.

The bottom line: Business aviation can be used as a productivity tool to keep revenues on an upward trajectory.

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Innovations are boosting safety and efficiency for jet-setters on the go.

Business aviation helps propel corporate sales and earnings. A survey of S&P 500 companies shows users had annual revenue growth 116% higher than non-users over a five-year period.

SOURCE: NEXA ADVISORS

Staying in control: New Corvalis TTX piston aircraft are ergonomically designed for comfort and efficiency

THE recession may have hit the corporate aviation industry like harsh turbulence, but that doesn't mean innovation ground to a halt along with flights and sales. In fact, the exact opposite is true: If anything, high-tech advancement has helped keep the industry aloft. The cockpit, cabin, and airframe continue to be infused with the latest technologies to boost performance and safety, improve fuel efficiency, and ensure passenger comfort and productivity—all factors that are consistently at the top of customer wish lists, experts say.

UPFRONT ENHANCEMENTS

Much of the new action is taking place in the cockpit. "Avionics are continuing to advance remarkably," says industry analyst Bill Quinn, chairman of Aviation Management Systems. "They're now bus-driven systems that integrate avionics and aircraft systems into single, much more intuitive interfaces. Previous generations kept all the systems apart, but now the computers can present flight control, engine data, navigation, and cabin systems simultaneously, and automatically prioritize the information for the pilot. That's a huge safety enhancement."

Cessna's new Intrinzi cockpit is a prime example. The system incorporates the latest developments in human factors engineering, ergonomics, and user experience to create a flight interface that simplifies the processes, says Cessna CEO Jack Pelton. "We plan to expand this within the Cessna product family," he adds. The three-panel touch-screen cockpit launches with the new Corvalis TTX piston aircraft, and a variation of the system—which will include fog- and



cloud-penetrating synthetic vision—will debut in the jet lineup with the new Citation Ten, which will be among the fastest business aircraft in the world when it first flies later this year.

Even the familiar iPad is getting in the game. In early February, Executive Jet Management announced that it was the first charter operator to receive Federal Aviation Administration permission to use a mobile, iPad-based app—the Jeppesen Mobile TC—as an alternative to paper aeronautical charts.

LIGHTER, FASTER AIRFRAMES

Tech wizards are also working their magic in the overall design of modern business jets, most notably with the steady march of composite materials in aircraft construction. Leading this revolution is the new Learjet 85, the largest and longest-range Learjet yet built. The aircraft, now in development for introduction in 2013, will be the first business jet in its class to be largely composite-built. "Composite materials—such as carbon fiber—are much more durable," notes Ralph Acs, vice president and general manager of the Learjet 85 development program for parent company Bombardier. "The carbon composite structure doesn't rust, and fatigue over time is much better." Another advantage is the fact that the aircraft's key components can be molded, rather than having every crevice or assembly built up with parts.

Use of composite materials increases the final product's versatility as well—the Learjet 85 will have a 3,000-nautical-mile range, which Acs notes opens up a wider variety of city pairs than shorter-range aircraft, and it can fly into more airports. "The airplane will be able to take off and land from runways as short as 5,000 feet, which will help save costs because you'll be able to use smaller airports at your destinations," Acs says.

OFFICES AT 30,000 FEET

Passengers aren't being left out of the technological fun, either. Cabin amenities are keeping pace with the best offerings available on terra firma: Seamless wireless technology is now standard fare, and audio visual systems are no longer clunky, buggy compro-

mises. Cessna has a new cabin management system for its forthcoming flagship, the Citation Ten, for instance, that significantly boosts flexibility and utility for passengers. It uses fiber-optic-based data lines and includes touchscreen controls for lighting, in-seat entertainment, and climate.



military unmanned aerial vehicle technology that's feeling its way into our industry," AMS's Quinn says. "One day, for instance, air traffic controllers might be able to take control of the airplane in an emergency." Other tech in the pipeline includes more dramatic aerodynamic enhancements for improved ef-

A model of high-tech ingenuity: Cessna's new IntrinziC cockpit with touchscreen controller

There's even a flight-data screen that provides trip and point-of-interest information for window junkies—and electronic control of window shades for those who'd rather catch some shut-eye. Bombardier's Learjet 85 is spacious enough to comfortably sustain long meetings. "For people in the back of the airplane, the comfort, resources, and true connectivity that we're now seeing is really reaching a point where business aircraft are flying offices," says NBAA's Bolen.

These innovations, experts agree, are only the beginning. In the future, corporate aircraft will introduce even more radical twists. "There is some

efficiency and reduced noise, and digital guidance systems that permit pilots to fly through imaginary "corridors" on their displays. If all that's not exciting enough, consider the fact that the return of supersonic passenger flight just might be in the form of a business jet—no fewer than three companies are working on the technology right now. For aviators and executives on the fast track, get ready for the ride of your life. ●

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