

WHY PRIVATE JETS ‘HAVE TO GET AWAY FROM THE HOLLYWOOD IMAGE’

News / Business aviation, Personalities



You could say that Thomas Flohr, founder, chairman and owner of the executive jets business VistaJet, has an affinity with his product.

“I fly as much as 700 hours a year, so I know what our clients want. They want luxury and comfort, of course, because they have certain lifestyle expectations. But they also want efficiency, because their time is a premium. That’s what we aim to give them,” he says, just about to board one of his jets in Kuwait for a short hop to Dubai.

The private jet business is shrouded in contrasting mythology. On the one hand, it is regarded as the ultimate symbol of success and luxury. Owning your own Gulfstream or Challenger, for example, is seen as the ultimate sign that you’ve made it, in business and the celebrity world.

On the other, it is also seen by critics as the ultimate symbol of waste and corporate indulgence. When billionaire investor Warren Buffett bought his first private jet, he named it The Indefensible, yet soon came to depend on the aircraft to the extent that he said he wanted to be buried in it. He ended up buying NetJets, the market leader in the sector.

Mr Flohr is adamant that the private jet is, first and foremost, a business vehicle for the time-challenged executive and that VistaJet's business model overcomes many of the ethical objections to private jet ownership.



"We have to get away from the Hollywood image of private jets. As I see it, it's a core business tool," he says.

"Our customers are 80 per cent corporations and the rest private individuals, high net worth individuals. They need use of a private plane to get to site meetings around the world in a time-efficient way," he says.

But with a single plane costing US\$50 million to buy outright, how can executives justify that kind of outlay to their boards and their shareholders, especially in the new, tough environment of tight finance and challenging economic conditions?

The industry has come up with different solutions to this problem. There is straightforward chartering, in which the would-be private jetter hires a plane for a specific trip. NetJets and others offer the "fractional ownership" model in which a customer buys a share in a plane and becomes a physical owner of the asset. VistaJet's business mixes elements of those two models. Customers buy a certain number of hours per year in an aircraft, and are more-or-less guaranteed a plane will be available whenever they need it.



"It's a bit like Uber. You know there will be a luxury plane coming when you want it. It will always be the same kind of plane, fitted out to a high standard, but maybe with a different tail number," says Mr Flohr.

"Customers just buy the hours they need. It's an asset-light business model that doesn't have to go through the process of board approval, if that's an issue," he says.

VistaJet flies two kinds of aircraft, both made by the Canadian aerospace and transport manufacturer Bombardier: the Challenger series, suitable for transcontinental travel on journeys of up to six hours; and the Global Express plane, which can fly intercontinental for journeys of up to 13 hours at a time.

The executive jet market is dominated by the US, which accounts for about 50 per cent of global traffic. Overall it is a fragmented market, with about 7,000 aircraft flying 1.7 million hours per year and growing by roughly 5 per cent per year.

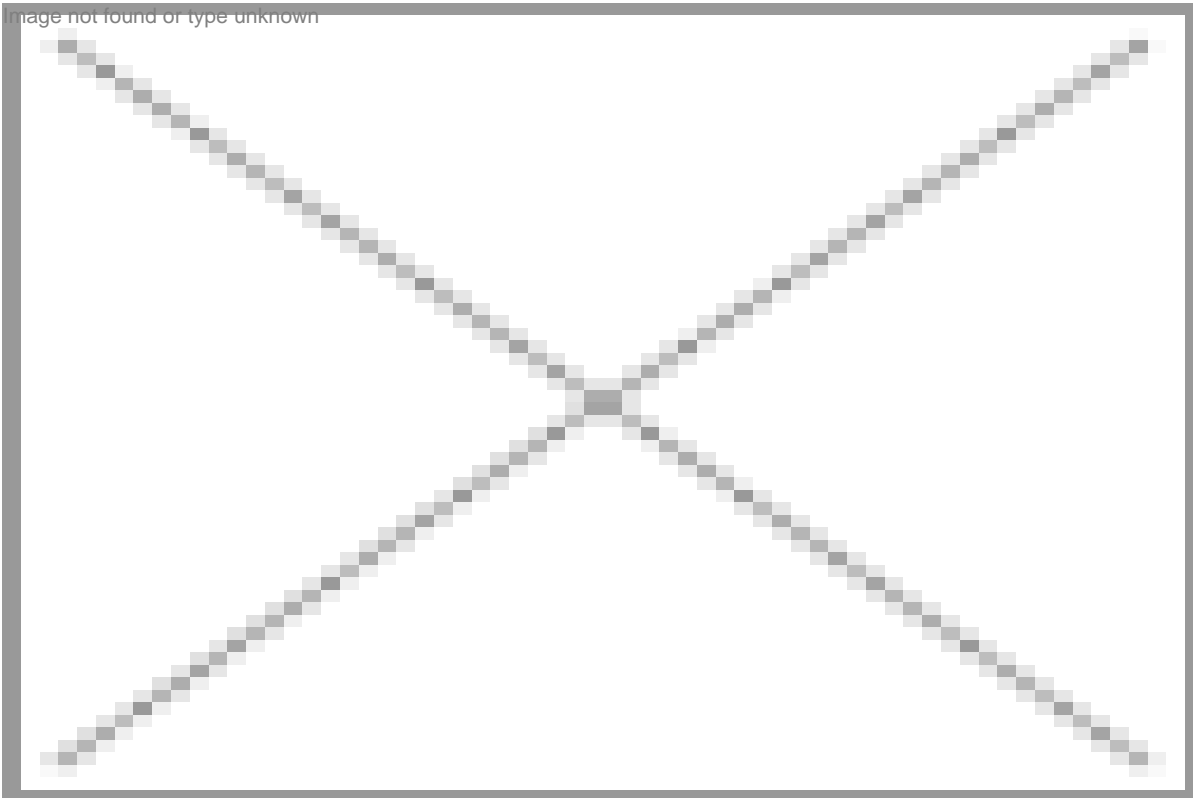
VistaJet, as the second-biggest operator in the global business, has a market share that Mr Flohr estimates at 2.5 per cent. "We want to get to 5 or 10 per cent," he says.

Asia is the second biggest global market but the Middle East is coming up fast behind, with about 15 per cent of VistaJet's business, and growing, Mr Flohr says. Last year, business in the Gulf and Egypt soared by 58 per cent.

"We have a very loyal customer base here. The brand recognition is very strong among clients who have certain lifestyle requirements. They have top-quality homes, holidays, cars and offices, and they want use of a plane to go along with that." On average, customers will want between 250 and 300 hours in the air per year, at a cost of just under \$5 million for a top-of-the-range intercontinental jet. That's not cheap, but much less than the cost of buying an aircraft outright.

For that outlay, the passenger is guaranteed a certain specification on board. The finest leather

seats, silk carpets, food from the swanky Japanese restaurant chain Nobu and all that goes with it. Mr Flohr also points out the quality of the mattresses on the in-flight beds, and the lower air pressure compared with a normal airline plane.



"We want to ensure the passenger arrives at his destination comfortable and refreshed, and ready to do business," he says.

VistaJet's business model allows for one-way pricing. The passenger pays only for the time spent in the air, rather than delivery times. "He wants to fly from Jeddah to Boston and has five days of meetings there. So he pays for that trip only. The plane will not just be sitting in Boston waiting for him, but will be used elsewhere. The passenger knows he will get an almost identical aircraft on the return flight," Mr Flohr says.

He set up the business in his native Switzerland in 2004, with just one aircraft. His background was in asset finance, which, he says, persuaded him of the efficiency of the "asset-light" model.

"The biggest risk I took was when I expanded the fleet to five aircraft, but I saw the opportunity to build a global brand in a very fragmented market. If you think about it, private jets is the ultimate global business," Mr Flohr explains.

He recently announced the order of his 100th aircraft, bringing the size of the fleet to 64 aircraft, allowing for retirement of older jets or upgrading to take account of technological advances in aircraft design.

Operations were based in Austria and the corporate HQ in Switzerland, but recently VistaJet consolidated both centres into a new home in Malta. "Now everything is under one roof in a European Union country with a business-friendly government where the aviation authorities are very efficient," he says.

In the UAE, VistaJet uses Dubai International and the new Al Maktoum airports, as well as Al

Bateen in Abu Dhabi.

Mr Flohr is anticipating a busy summer, with the Olympic Games in Rio expected to spark a surge in well-heeled travellers heading to South America. The annual World Economic Forum in Davos brings another spike in business.

"Our customers like to have a home away from home when they travel to these events. That's what we want to give them," he says.

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