

Crunch Time for Fractional Jet Owners

Popular Pay-by-Hour Options

Add Restrictions to Manage

Surging Numbers of Fliers

By CANDACE JACKSON

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(Excerpted)

In the past few years, fractional jet companies have brought private jet travel -- and its bragging rights -- to the masses (relatively speaking), offering lower-end memberships and pay-by-the-hour programs. But now, some of those customers are getting their wings clipped.

The problem is that jet companies are struggling to keep up with surging demand. Customers have complained of delays and troubles in snaring a jet, especially during holidays and on short notice. Some companies have had to scramble to find enough planes to meet customer requests -- and they have had to pay huge sums to secure them.

To manage the traffic, jet companies are adding restrictions to the popular lower-end programs. This year, NetJets Inc., a fractional aircraft ownership company based in Woodbridge, N.J., required those who wanted to use Marquis Cards (which entitle users to a set amount of hours of private flying) to purchase their cards by Sept. 30 in order to book travel for Thanksgiving weekend.

Companies are also attempting to push customers into more traditional -- and expensive -- higher-end fractional ownership programs, in which users actually own a stake in a particular plane. Since these programs have fewer participants, there is less potential for the demand for planes to exceed supply on peak travel days. In October, CitationShares launched a program called "Citelines," which offers travelers a price break for traveling on nonpeak days, and a flat annual rate for operating charges, instead of an itemized monthly bill. Flight Options LLC a private aviation company based in Cleveland, recently introduced a new program that includes discounts on the hourly rate for long-haul flights and simpler fuel pricing.

The number of private jets flying in the U.S. has grown 40% in the past five years. As of last month, there were 3,968 fractional jet owners, up 30% since 2001, according to AvData, an industry tracker. But this figure, which doesn't include cardholders or membership-program users, has been flat since 2002.

During the same period, membership-card sales have shown strong growth, with an estimated 5,000 sold since they were introduced five years ago, says David Strauss, an aerospace industry analyst with UBS Investment Research. He estimates their sales have grown at least 25% in the past year.

Companies are also introducing incentives to encourage participants in their lower-tier card and membership programs to use their flying hours in low-demand times. Flexjet, a Dallas-based fractional jet ownership company, recently launched a card that includes up to a 25% discount for flying on off-peak days.

OneSky Jets, based in Manchester, N.H., now sells a \$100,000 pre-paid jet membership that promises discounts for purchasers who travel on less-busy days. The program also takes a cue from commercial airlines by offering cheaper hourly rates for the busiest routes (like Teterboro Airport, near Manhattan, to West Palm Beach International, near Miami) and charging more for flights booked at the last minute.