



FRACTIONAL OWNERSHIP

By Mark Phelps

Passing the private pilot check ride is a huge life accomplishment. Unfortunately, the rewards that follow are not always everything a pilot hopes for and expects. Vacation trips with family; business travel independent of the airlines; spontaneous adventure jaunts; they're all part of the magic of private flying. All part of the freedom and satisfaction the private license ought to open up for the newly minted private pilot; but there's one big problem.



Many pilots' sole opportunities to continue their flying come via renting from the FBO or flight school where they took their lessons. But even though your shirttail might be proudly displayed on the flight school wall, that flight school might actually need to use its trainers for...training. Having an airplane X'd off the schedule for a whole day, or two or three (never mind a week's vacation trip), and returning with only a few hours' flying time on the meter doesn't fit the business plan. So where is a new pilot to find wings for those flights of fancy?

One way is to buy your own, but not every new pilot can afford to buy an airplane, even a 30-year-old trainer. And the costs of maintenance, insurance, storage and upgrades can put a major hurt on a family budget. Even for those with the means to do so, the commitment in time and attention to all

these responsibilities can be prohibitive. As they say, when you have the money, chances are you don't have the time – and vice versa.

Unfortunately, this is where a lot of new pilots drift away from flying forever. And that's a real problem for the entire industry. Not only do we lose the activity, companionship and revenue from those pilots, but they walk around the rest of their life with a damp, smelly story to tell any of their friends who might have flying fever percolating in their hearts; "Yeah, I got my license. But unless you buy a plane, what good is it?"

The up side is that there are some answers to this problem, and while none are perfect, they are certainly better than watching someone's flying peter out. Sharing costs of aircraft ownership and operation is one avenue to advancing one's flying experience. One of the most intriguing forms



is fractional ownership – some call it “timesharing” – for piston aircraft. Pilots can have access to a managed airplane – or a fleet of them – for literally a fraction of the cost of buying, maintaining and managing a new one. Two of the most successful and enduring practitioners are Texas-based PlaneSmart and Atlanta-based AirShares Elite.

A big part of their business plan can be traced back to the corporate jet world. In the mid 1980s, Richard Santulli, a mathematical strategist for Goldman Sachs, devised a plan for fractional ownership of a fleet of business jets. His NetJets program leveraged a little-used wrinkle in the Federal Air Regulations that allowed joint registration of an airplane by multiple owners. The idea of the regulation was to allow two or three companies to share use and expenses – and legal responsibility -- of a single jet or flight department. But Santulli took it a giant step beyond.

He devised a network of many shared aircraft – with owners each paying for as little as a one-eighth portion of the airplane. Their allowed annual usage increased with the level of their involvement – x hours for a one-eighth share, proportionately more for quarter, half, and even “full” ownership shares. The more aircraft and “owners” that got involved, the more robust the network. His aim was to enable each of his owners to have access to the entire fleet of identically appointed jets, wherever and whenever they called. The planes would circulate, with no fixed home base, similar to the way an airline operates. It’s a revolutionary approach to aircraft ownership – a sort of hybrid between ownership and pre-booking charter hours. And part of the attraction for owners is the tax advantages that go along with having an equity position in the airplane.

For many reasons, it’s unrealistic to envision just such a fleet of owner-flown aircraft that could attain the same critical mass that NetJets has established. The operating range of piston aircraft is not conducive to any sort of national program – chances are slim that your flight from Dallas to Ann Arbor, Michigan, or San Francisco to Moab, Utah will position the aircraft at an airport where another pilot is likely to need it that day. And of course, NetJets aircraft are flown by

professional crews, so a short positioning flight to pick up the next “owner” is all part of their day’s work. Not so with an owner-flown four-seater.

But there are some key elements of the NetJets business plan that can also make sense for a light-aircraft fractional program, starting with the fee structure. As with NetJets, owners in a piston-oriented fractional program pay an initial buy-in that constitutes an equity position, which can be resold by the owner at market value. For the right person or company, there are also some tax advantages that would be left on the table with a straight lease, rental arrangement or membership in a flying club (more on those options later). You should put your tax advisor in touch with PlaneSmart or AirShares Elite to explore how this might work for you – or not.

But well beyond the financial benefit of tax depreciation, fractional ownership of an airplane you fly yourself can make sense. The hassle-free element compares favorably stacked up against individual ownership. PlaneSmart and Airshares handle the myriad chores that go hand-in-glove with operating an airplane – negotiating and acquiring insurance; maintenance; hangar storage; database updates for avionics systems; scheduling; and keeping up with all the bills. And as operators of a fleet of aircraft, these companies are in a position to leverage discounts on parts and services that would not be available to the individual owner.

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A seasoned marketing and high-tech executive, Michael Bro-sler formed PlaneSmart in 2003. As an avid instrument-rated private pilot, he had experienced the frustrations first hand, and committed to doing something about it. PlaneSmart’s Professionally Managed Shared Ownership (PMSO) program has Cirrus SR20 and SR22 aircraft based throughout Texas as well as in Memphis, Tennessee. Partnership programs are under development in the Los Angeles and Washington, D.C. areas. If you’d like to investigate forming a PlaneSmart program at your airport, or nearby, contact the company at its website (www.planesmart.com) where you can post your request. PlaneSmart will reach out to try to match other potential owners.



Just as NetJets has branched out to fill other needs, PlaneSmart has expanded and now includes a non-pilot program. Featured in this plan is the Pilatus PC12 NG (“next generation”), a large-cabin, single-engine turboprop with a maximum range of more than 1,500 nautical miles.

Already own an airplane, but would like to relieve some of the hassle and the cost? PlaneSmart has branched out to offer management of shared ownership – they will match you with a partner or partners and handle the complexities of registration, insurance, billing, scheduling and so on. They will even take on the chores involved in keeping up with aircraft ownership for a single owner-pilot.

And finally, PlaneSmart recently announced its own charter program, so people not interested in going all the way into non-pilot shared ownership can charter PlaneSmart aircraft on demand, or on a block-time basis. Brosler said, “Expand-

ing the PlaneSmart experience with charter adds a cost-effective and convenient alternative to today’s traditional travel options. It also gives businesses and individuals an opportunity to evaluate general aviation and consider the benefits of professionally managed shared ownership, one flight at a time.”

Based in Atlanta, AirShares Elite is another Cirrus-based fractional ownership program with pilots in mind. Started in 1999 by Bob Rosenbury and David Lee, the program started with Cessnas, but switched to glass-panel Cirrus models soon after the turn of the century. Cirrus designated AirShares Elite as a “preferred partner” and recognized the Atlanta company as a sound means of spreading awareness and acceptance for Cirrus aircraft among pilots.

Interestingly, the word spread among non-pilots as well. AirShares found itself fielding calls from customers who were interested in the travel benefits of flying private four-seat aircraft, but were not interested in doing the flying them-

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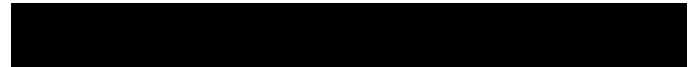


selves. That led to a new business avenue for the company – providing travel services for non-pilots who recognized the benefits of bypassing the airlines – without paying the high prices for private jet or turboprop charter. AirShares currently operates 51 program aircraft based at 14 regional locations. Some are flown professionally for non-pilot owners – others by their owner pilots. And some are owned by a mixture of both constituencies.

Having all the chores involved in owning and operating an airplane taken care of for you is certainly attractive. The key caveat for a potential timeshare buyer is aircraft availability, and a logical fee structure to cover the services provided. Naturally, you'll pay more than if you and your partners were handling all these duties yourself. But how much more is worthy of careful consideration. As is the residual value of your share of the airplane when it comes time to move up to a newer model.

For those more interested in smaller groups of owners, AOPA has an excellent service that matches up those looking to join in partial ownership with aircraft owners looking for financial partners. The listing service is free for pilots seeking airplanes – and nominal for aircraft owners looking to share the costs. Check it out on the AOPA website (www.aopa.org).

You could also check with your flight school to see if they might be interested in reaching out to potential aircraft part-owners among their customers – maybe even handling some of the management duties on a fee-for-service basis. It's to their advantage to have their students take their flying to the next level, if only to maintain good will among those whose shirt tails are hanging on their walls. ☺



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