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The only way is up

By Kevin Done

You are on your way to the airport, flying out for a meeting that could make or break your career - even your company. Then the traffic closes in and your taxi gets stuck in a full-on, bumper-to-bumper jam. That familiar feeling of dread fills your stomach and by the time it rises to your head you know you're not going to make it. Either you fret and then flail around with your phone, or you slide back in your seat and allow yourself to have a silly thought: never mind, the plane will wait for me.

Well, soon it will.

At least that's the promise of a company that is serious about turning your silly thought into a business proposition. If everything goes to plan, in 2009 JetBird will start operating Europe's first low-cost, on-demand private jet service. And on its website it promises, among other things, that: "If you are stuck in traffic or held up in a meeting, we will wait for you."

The man behind this venture is no fantasist who has spent too much time in the back of a cab in traffic thinking up ways to make money from his (and everyone else's) misfortune. In fact, Domhnal Slattery has already made millions in aviation - and he's not even 40 yet. He reckons he can do it again.

Slattery hasn't revealed exactly how many tens of millions of euros he received by selling his aviation advisory business, IAMG, to Royal Bank of Scotland in 2001. But he believes he has found a way to repeat his success by making the glamorous world of private jet travel available to the "mass affluent" of Europe.

There is something familiar about the style, about the easy eloquence of the man as he flips rapidly through his presentation charts over breakfast at a fashionable boutique hotel in the shadow of London's Telecom Tower. It's that Irish thing. Slattery learnt the trade at GPA, formerly Guinness Peat Aviation, the pioneering aircraft leasing company led by the legendary Tony Ryan, which acted as a business school for a generation of bright young Irishmen in the 1980s. It was Ryan too who gave us Ryanair and that other Irish airline entrepreneur Michael O'Leary. It must be something in the water. But whatever it is, Slattery has always been a bit of prodigy - he joined GPA as trading-floor officer, what he calls the lowest rung on the management ladder, at just 22.

This is Slattery's proposition: Europe has a bigger population than the US, while incomes are expanding at similar rates on both side of the north Atlantic. There are 2.8 million individuals in Europe with assets of more than \$1m - roughly similar to the 2.9 million in the US, according to the latest Merrill Lynch/Capgemini world wealth report. Despite all that wealth, the number of corporate jets in Europe is still only 20 per cent of what it is in the US. Yet the hassle and inconvenience of European commercial air travel are just as great, and the attractions of travelling by private jet just as real.

Business aviation is already growing strongly around the world. The US is the heartland of the industry and accounts for three-quarters of the world fleet of business jets, but demand is now also flowing in from Europe, Russia, Asia, the Middle East and Latin America.

Slattery believes private jet travel is now poised to make the next big leap, with a new generation of cheaper jets coming on to the market - and he wants JetBird to be first mover in Europe.

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He knows a thing or two about the business. In 1994, a year after Jack Welch's GE Capital bought GPA (now GE Capital Aviation Services), Slattery moved out and set up his own business, crossing the fence to advise airlines on their dealings with leasing companies and banks, first in Latin America and then around the globe. When he sold his company to Royal Bank of Scotland, IAMG was underwriting and arranging \$1bn of business annually.

He has remained a non-executive director at RBS Aviation Capital, but the day-to-day focus of his activities is Claret Capital, a Dublin-based private investment company formed to manage the private wealth of four Irish families, including the Slattery fortune. Claret Capital has moved into property and private equity, but along the way Slattery has been unable to resist the pull of aviation.

Across Europe and the US, start-up ventures - often called air-taxi or air-limousine services - are emerging, taking advantage of the newest arrival on the business jet scene, so-called very light jets (VLJs). "The economic model for [private] jet travel is about to change, because of the dramatically reduced costs per seat mile these aircraft offer," says Jack Pelton, chief executive of Cessna Aircraft, a subsidiary of the US company Textron. Advances in small jet engines and avionics, and higher-volume production rates will make VLJs cheaper to buy and run. "This change in economics will allow today's air charter and fractional operators to lower their costs and attract a whole new market to their services," Pelton says.

Some of the first models, such as the Eclipse 500 and the Cessna Mustang, have recently received certification from the US Federal Aviation Authority, clearing the way for deliveries.

Ronald Epstein, a research analyst at Merrill Lynch, says private aviation is evolving "from a luxury of the highest-paid corporate jet-setters to something more of a tool used by mid-level managers and the upper middle class."

JetBird will be based in Switzerland. As the fleet grows, the plan is that further bases will be developed in Germany, France, the UK and Italy. Data from Eurocontrol, the European air traffic control organisation, show how most business aviation traffic in Europe is concentrated roughly along a London-Rome axis, taking in Paris, Geneva, Cannes and Milan.

Slattery believes he will be able to offer a traditional private-jet premium service but at a much lower price: one comparable to current business-class travel and costing less than 50 per cent of existing branded private jet services.

JetBird will be able to operate to and from more than 800 European destinations, with flights typically of 60-90 minutes duration. Customers will be able to book flights online, by phone or through travel companies, and they will be able to book on a flight-by-flight basis or through a pre-paid membership card. Flights will be charged by the hour with the flat hourly rate including take-off and landing charges.

Slattery maintains that JetBird's hourly charges will be around half of those levied by NetJets, the biggest operator of private jets, owned by legendary investor Warren Buffett. A JetBird customer will have sole use of the aircraft once booked and will not have to share it - although additional passengers can be added to your flight booking for a small premium per person. He says that, for three colleagues or members of a family flying together, the shared cost will typically be less than the cost of each travelling business class.

JetBird has ordered 50 of the Brazilian manufacturer Embraer's Phenom 100 aircraft and has options for another 50. First delivery is in April 2009. At \$2.85m (at January 2005 prices), the Phenom 100 will seat four passengers and have a range of 1,160 nautical miles (2,148km).

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On the other side of the Atlantic, Florida-based DayJet aims to start a similar service early next year from five Florida cities. It is also eyeing the European market.

Amid all the froth of a rapidly rising market the world of business aviation is beginning to offer some uncomfortable reminders of the years when the dotcom bubble was inflating: new business models, seemingly endless demand stretching to a blue horizon, paradigm shifts in behaviour.

And some of the biggest operators clearly cannot help themselves. Buffett famously bought NetJets because he used the service himself and loved it. Yet it was this same Warren Buffett who famously warned students in the early 1990s of the financial dangers of falling in love with flight, given airlines' unflinching ability to destroy rather than add value. ("If you had been down there at Kitty Hawk, and you had seen this guy go up, and all of a sudden this vision hit you that tens of millions of people would be doing this all over the world one day and that it would bring us all closer together, [you would] think, my God, this is something to be in on. But if there had been a capitalist down there, the guy would have shot down Wilbur [and Orville Wright in 1903]. You know, 'one small step for mankind, one huge step backwards for capitalism'.")

Despite operating a fleet of hundreds of business jets across north America and increasingly in Europe, NetJets has struggled to make money. In his latest annual letter to shareholders earlier this year Buffett was forced to confess: "I said last year that this business would earn money in 2005 - and I was dead wrong."

Buffett appears to remain relaxed about the losses, however, and is irredeemably hooked on the private-jet experience. "Once a customer has tried us, going back to commercial aviation is like going back to holding hands," he told his shareholders.

As the world of private jets expands, many new actors are being attracted to the scene. One of them is Ricky Sitomer, who made his first millions as a Wall Street broker during the dotcom boom.

Seated in the gilded foyer of London's Dorchester Hotel recently, he laid out his plans to open a London office and begin to tap the UK market. This will be his first move outside the US, where he claims to have become the largest broker of private jets in little more than five years. "We had a great run [as Wall Street brokers], but then the market tanked. We were tech-heavy. We had to decide, did we want to rebuild or go to another growth business? We chose a growth industry."

When the times were hot on Wall Street, Sitomer liked to offer his star employees private-jet travel to Las Vegas or Atlantic City as incentive rewards - but often he was unable to find the right aircraft at the right time. The business idea was born.

"We ran in circles with other people that used private jets. Of our contemporaries more and more were flying privately. We were aware of the potential demand."

He now claims a workforce of 250 salesmen at his brokerage, Blue Star Jets, spread across offices in New York, Los Angeles, Boca Raton, Miami and Chicago, and says he is looking for between 50 and 100 sales people in London.

"We are in the personal luxury and lifestyle business. We like personal service," he says. "Our representatives organise everything, including the food onboard and the flowers for the wife."

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The brashness of Blue Star's approach has not endeared Sitomer to some of his much longer-established rivals, but he is unapologetic. He even took the name for his company from the movie Wall Street, in which Michael Douglas's character Gordon Gekko, a power-hungry corporate raider, seeks to buy an airline called Blue Star using inside information. Gekko, typified by his "greed is good" speech, was supposed to be the villain of the piece, but appears to have become an inspiration for a generation of Wall Street brokers. "We did like the movie," says Sitomer. "We are from Wall Street. We chose [the name] for brand recognition. It is ironic -well, Michael Douglas liked it. Our name has become synonymous with service and great luxury. I don't think I will regret it."

Sitomer claims access as a broker to more than 3,500 private jets in the US, and he believes charter or jet-card membership schemes will lure customers away from fractional ownership companies such as NetJets, because they do not involve the same level of long-term, financial commitment.

"My goal is having the woman taking tea in Palm Beach saying not that she flew in a Gulfstream G550, but that she flew Blue Star as a luxury status symbol."