

THE JET TRAVELER REPORT

THE GLOBAL PERSPECTIVE
ON WHO FLIES PRIVATELY AND HOW



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THE JET TRAVELER REPORT

Private aviation is growing around the world. But not everyone who flies privately on a regular basis owns a plane

Much of the growth in private aviation can be found in the explosion of on-demand chartering, membership programs and fractional ownership taking off around the world, with these options seeking to solve the travel needs of the world's wealthiest people and business leaders.

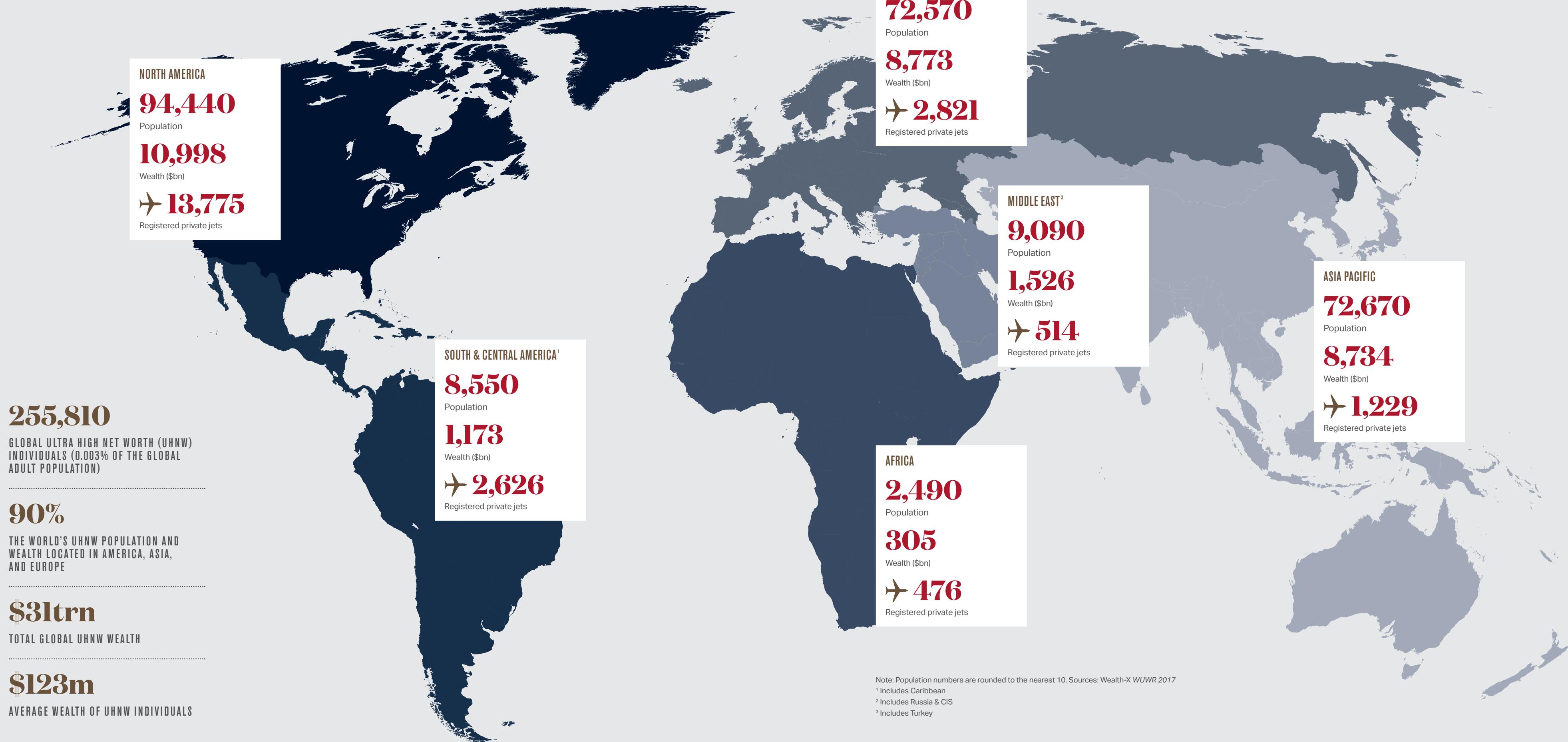
According to WealthX, within the largest 10 markets for private aviation there are around 17,000 privately owned aircraft registered. The US makes up for the largest proportion, accounting for 75% of private jet ownership amongst the top 10 markets.

Owning is clearly not a necessity for the vast majority of the superwealthy. Even in the fastest growing and developing economies, jet ownership isn't de rigueur.

For example, China achieved the highest growth in private aviation ownership out of the top 10 markets, with a 347% increase over the 10-year period, compared with an UHNW population growth of 840%.

This report delves into this world to understand the private flying solutions the UHNW individuals and business elite use to get from A to B efficiently and in privacy. It also explores why these choices are made and how each option seeks to answer the needs of this select audience.

The UHNW world



The private aviation landscape

New private aviation models, and changes in how traditional models are delivered, are shaping the current landscape

There appears to be a move away from ownership, as alternative offerings become more attractive and flying without owning becomes easier. Other modes of private aviation include on-demand chartering, membership programs ('jetcards') and fractional ownership; with many companies offering either a single service or a range.



ON-DEMAND CHARTERING

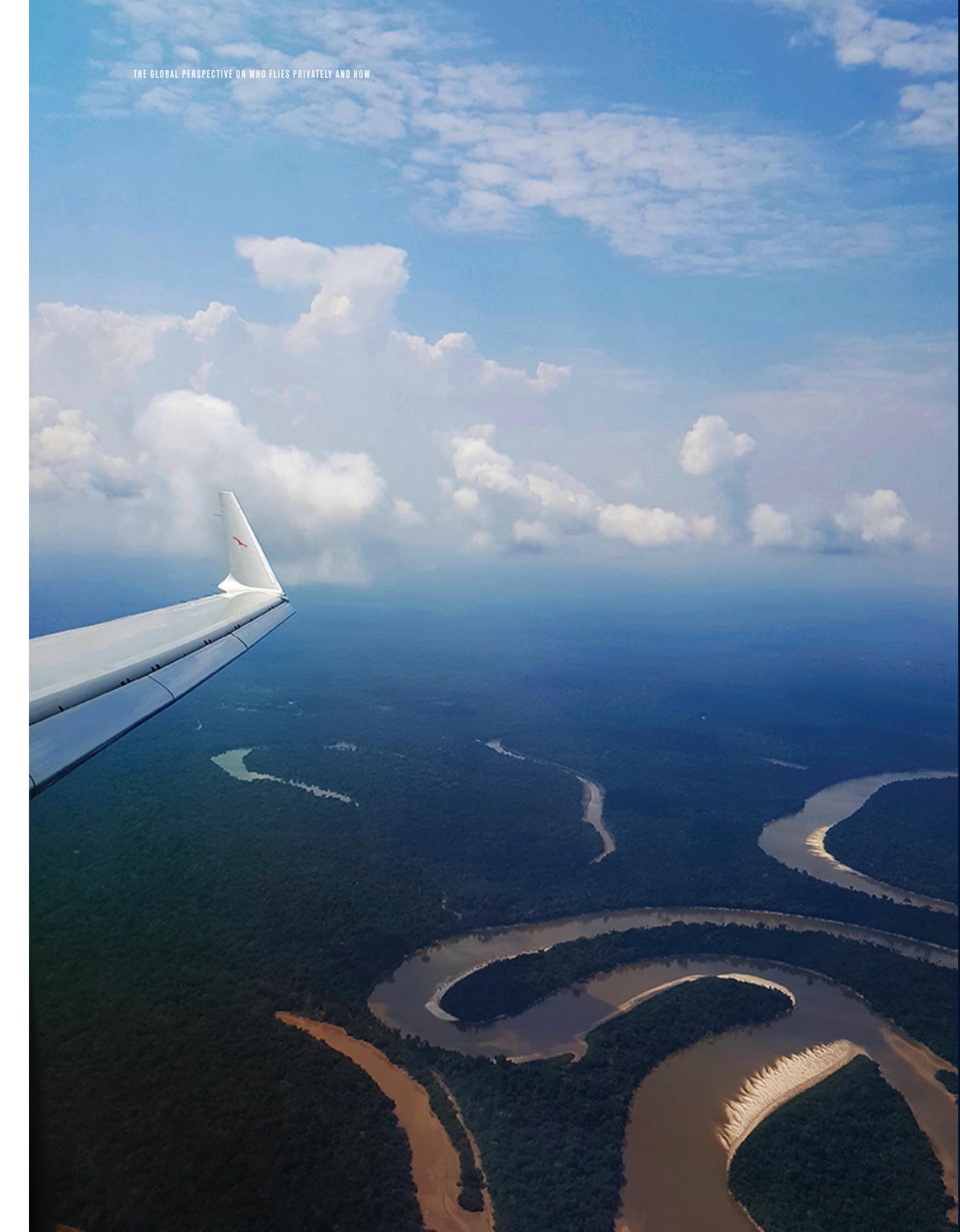
Chartering an aircraft is currently one of the most popular ways to fly privately. This approach typically involves renting an aircraft through a charter company or brokerage with the majority of the flights taken on an ad hoc basis. Recently, technology has helped transform the private on-demand business model, with new entrants offering more efficient and transparent methods. Providers are leveraging digital platforms to make it easier for the end user. Furthermore, with more access to information, these platforms are able to offer more cost-efficient ways for the wealthy and businesses to fly on-demand. Using extensive networks, providers are able to bring the closest available jet to the client, allow the client to share a jet with people traveling to and from the same destinations, or take an unused return flight (empty legs).

MEMBERSHIP PROGRAMS

Memberships have become very popular amongst the ultra wealthy and corporations, and typically involve a client purchasing a specified number of hours in advance from a provider. They then use these hours in a specified period. This model allows flexibility in the type of plane to match the specific trip needs, and prices are competitive. The provider typically streamlines the process, including the charter cost, sourcing of the pilot, catering etc. into a single touchpoint. There are many different membership options for the flier to navigate and the service differs from provider to provider.

FRACTIONAL OWNERSHIP

As a hybrid between owning a jet and membership programs, the fractional ownership flier typically owns a share of an aircraft through a third-party provider. This allows the flier to hold a share of the assets, whilst still having flexibility in the type of plane, depending on the trip's needs. At the end of the contract, the client may sell your share at current market value and recover some of the initial investment.



Profiling today's ultra wealthy fliers

To make the comparison of different types of fliers, we have classified the UHNW population into three groups

1

OWNERS

Those who own an aircraft, or part thereof.

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2

MEMBERS

Those known to be members of a private flying program.

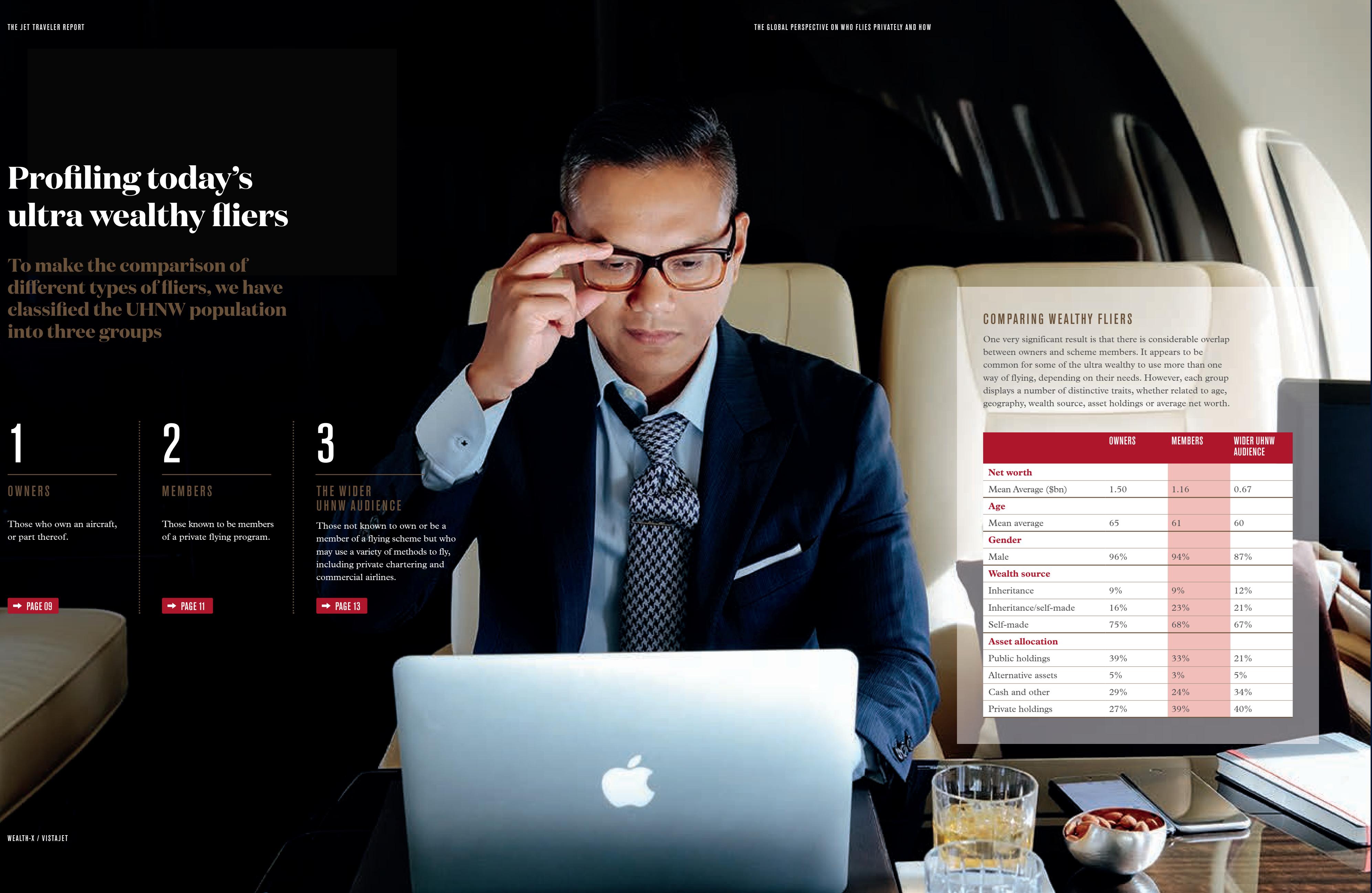
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THE WIDER UHNW AUDIENCE

Those not known to own or be a member of a flying scheme but who may use a variety of methods to fly, including private chartering and commercial airlines.

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COMPARING WEALTHY FLIERS

One very significant result is that there is considerable overlap between owners and scheme members. It appears to be common for some of the ultra wealthy to use more than one way of flying, depending on their needs. However, each group displays a number of distinctive traits, whether related to age, geography, wealth source, asset holdings or average net worth.

	OWNERS	MEMBERS	WIDER UHNW AUDIENCE
Net worth			
Mean Average (\$bn)	1.50	1.16	0.67
Age			
Mean average	65	61	60
Gender			
Male	96%	94%	87%
Wealth source			
Inheritance	9%	9%	12%
Inheritance/self-made	16%	23%	21%
Self-made	75%	68%	67%
Asset allocation			
Public holdings	39%	33%	21%
Alternative assets	5%	3%	5%
Cash and other	29%	24%	34%
Private holdings	27%	39%	40%

1

PROFILING TODAY'S ULTRA WEALTHY FLIERS

The private aircraft owners

Full aircraft ownership is an option for the very wealthiest UHNWIs

Private aircraft ownership is hugely expensive, with just the upfront cost of a jet in the tens of millions of dollars. For instance, an eight-seater Cessna Citation XLS costs approximately \$14m⁴ with longer-range jets much more expensive; a Falcon 2000DX costs around \$42m.⁵ Further maintenance costs push it out of reach for the typical UHNW individual. So unsurprisingly, those who own them are typically the wealthiest of the wealthy, with an average net worth of \$1.5bn. More than one in three (35%) private jet owners are worth more than \$500m.

They are also typically older, male, and married. The majority of owners are over 60 and have created some or all the wealth themselves (91% wholly or partly self-made). Age and higher wealth levels are testament to the nature of wealth creation, demonstrating how extreme wealth takes time to generate.

Public holdings make up the largest asset allocation of owners; these individuals typically own a share of the public companies that helped create their wealth, having been an executive or founder. Furthermore, nearly 20% of these individuals are in the finance, banking and investment industry – compared with the global average of 14.5%. Finance is a key global industry of the wealthy but the over representation within this group and the large proportion of wealth in public holdings suggest that an increased interest in the stock market and private investment may prompt an increased need to fly privately.

Philanthropy ranks as the most common interest among owners, with nearly half of them engaged in benevolent causes. This is significantly higher than the global UHNW individual average of 36.3%, as philanthropy is typically more predominant at higher wealth levels. Sports rank second on the list, with nearly half showing interest.

⁴ Private Fly accessed Dec 2017 (www.privatefly.com/private-jets/medium-jet-hire/Citation-XLS.html)

⁵ Private Fly accessed Dec 2017 (www.privatefly.com/private-jets/longrange-jet-hire/Falcon-2000DX.html)



Top five industries owners are primarily associated with

#1 **19%** FINANCE / BANKING / INVESTMENT

#2 **7%** REAL ESTATE

#3 **6%** NON-PROFIT & SOCIAL ORGANIZATIONS

#4 **5%** OIL, GAS & CONSUMABLES

#5 **5%** BUSINESS SERVICES

Top five hobbies of owners

49% PHILANTHROPY

49% SPORTS

34% OUTDOORS

27% POLITICS

20% ART

2

PROFILING TODAY'S ULTRA WEALTHY FLIERS

Members of private aviation programs

Membership programs appeal widely to owners and non-owners alike

This group is also significantly wealthier than the typical UHNWI, with one in four (28%) having more than \$500m in net worth. Its popularity is high for individuals who fly frequently, as membership programs tend to be better suited to this compared with on-demand chartering and commercial flights.

Interestingly, over half of owners also use membership programs because, on many occasions, they can be more efficient than using their own aircraft for certain types of flight. For example, their own aircraft might be unavailable due to maintenance, they may need to travel to destinations where their personal pilot or aircraft are not permitted to go and their flight may require a different, more appropriate type of aircraft (e.g. larger or smaller).

A great deal of program members created their wealth partly or fully by themselves (91%). Their wealth is, on average, mostly in private holdings at 39%. This indicates that the average individual owns a private company, and may be using membership programs in their name but on behalf of the company.

Financial services are the most significant industry for the group, with finance, banking and investment the major business activities for 21% of these individuals, making up three times the share of the next biggest industry (industrial conglomerates). Compared with owners, 6% of this audience are primarily associated with the tech industry, reinforcing the slightly younger profile of program members.

For program members, sports beat philanthropy for the most common passion/interest at 41%.



Top five industries members of private aviation programs are primarily associated with

#1  **21%** FINANCE / BANKING / INVESTMENT

#2  **7%** INDUSTRIAL CONGLOMERATES

#3  **6%** TECHNOLOGY

#4  **5%** REAL ESTATE

#5  **5%** MANUFACTURING

Top five hobbies of members of private aviation programs

 **41%** SPORTS

 **39%** PHILANTHROPY

 **19%** POLITICS

 **18%** ART

 **17%** OUTDOORS

3

PROFILING TODAY'S ULTRA WEALTHY FLIERS

The wider UHNW population

On-demand private fliers are the youngest and least wealthy UHNW group

The wealthy who don't programs because, on many occasions, they subscribe to a membership program have an average wealth of \$67m – compared with \$1.1bn and \$1.5bn for membership program users and owners respectively. This suggests that both ownership and membership programs are out of reach for even the majority of the world's UHNWIs.

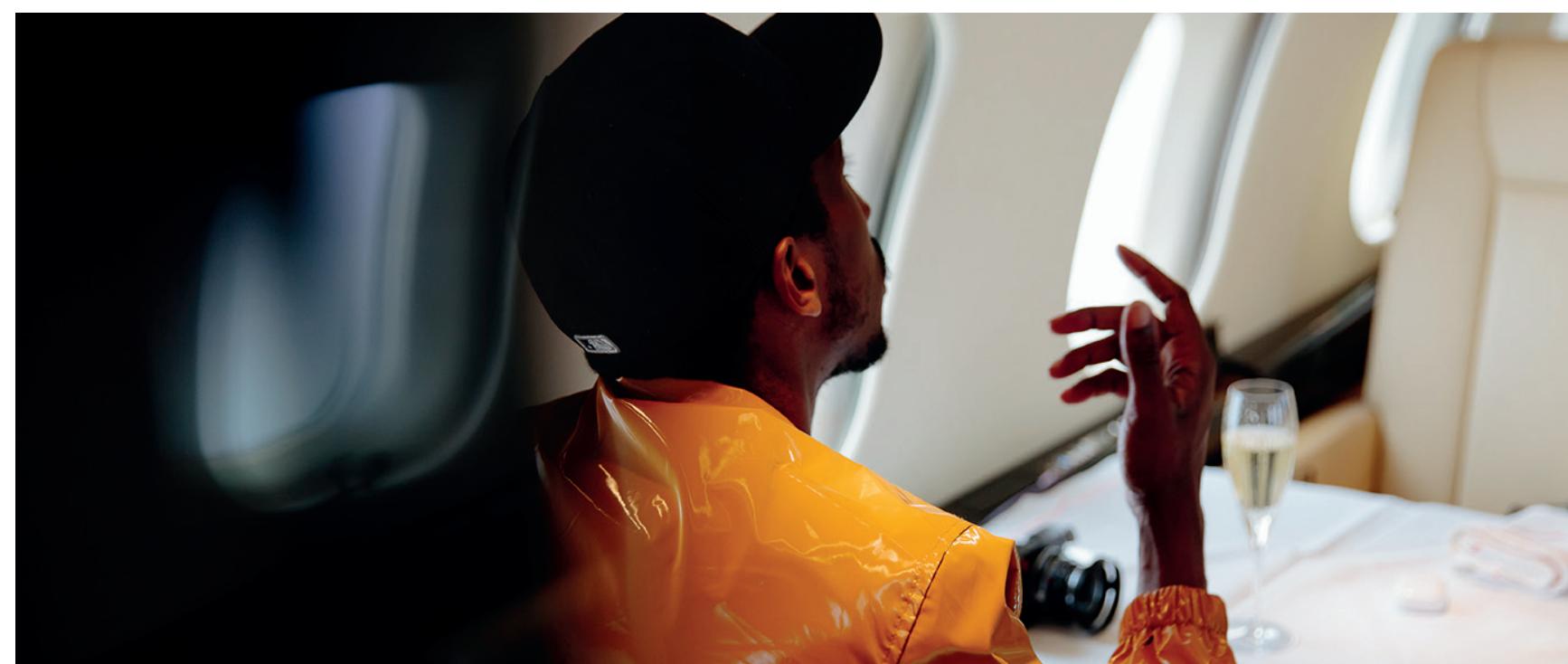
However, that is not to say that these individuals don't fly privately. It is likely to be much more common for these individuals to charter private jets on demand or use first or business class on commercial airlines, which are increasingly creating private cabins on board. These individuals are typically younger and so have had less time to grow their wealth. Women also make up a higher proportion compared with the other wealthy fliers.

The group also has the highest proportion of inheritors, with over one in 10 (12%) having inherited all their wealth. Private holdings make up the highest proportion of the typical portfolio, although cash and other equivalents are significantly higher than other groups at 34% (compared to the 24% and 29% held by membership users and owners respectively).

Finance is the most common industry for the typical UHNWI, although more recently we have seen a gradual broadening of industry diversification among the ultra wealthy. This reflects several key developments affecting the UHNW population in recent years:

- The expansion of technology (7%)
- A more challenging economic and regulatory environment for financial services
- The fast development of wealth in emerging markets
- Increasing global demand for business services (6%)
- A broadening sense of philanthropic engagement, non-profit and social organizations (6%)

Philanthropy is the most favored interest for the typical UHNWI, with over a third interested in giving to causes such as education, healthcare, the arts, the environment and enhancing life opportunities around the world. Close behind with 32% is sports, with popular activities including golf, skiing, tennis and American football, but soccer leads the way.



Top five industries the wider UHNW population are primarily associated with



What matters when flying privately

Preconceptions are common in private aviation, which is often assumed to lavish champagne and caviar on those chasing the high life

These assumptions are misleading because a very large proportion of private flights are for business purposes. Even the majority of people who travel for leisure do not typically want extravagance; they fly privately for convenience and comfort, and to fulfil the needs of their trip efficiently.

Understanding what is truly important to the wealthy and business elite and why they fly will dispel some of these preconceptions – and help those who are considering flying privately to understand how different modes of private travel meet different needs.

UNDERSTANDING PRIVATE FLIERS' NEEDS

Through a series of interviews with private aviation experts and gatekeepers to the wealthy and business leaders around the world, Wealth-X has developed a deep understanding of the characteristics of this elite group.

One might expect the wealthy typically to own their own jets. However, there are many ways that this group chooses to fly, including fractional ownership, membership of a private flying program, on-demand charter and, of course, first-class cabins on commercial airlines.

The landscape of private aviation is also changing rapidly with the rise of lower-priced options. These are setting new benchmarks for price and are allowing a more typical UHNW audience to access what was once the privilege of the billionaire. Commercial first-class operators are also upping their game, improving the privacy and comfort of their offer for a discerning audience with the increasing opportunity to fly privately.

Within this context, and maybe surprisingly, the vast majority of private fliers are not tied to one particular method; they choose on a flight-by-flight basis, enabled by ever-evolving travel options. Even owners can regularly fly charter or be program members. There are, however, clear criteria within which the choice is made, and this has allowed Wealth-X to identify the five key factors that influence how the wealthy choose to fly.

These factors also overlap, shift in tone and expression, and vary in importance depending on the reason for travel.



A flier's perspective

Wealth-X has identified the five key factors that influence how wealthy travelers choose to fly



1

MAXIMIZING TIME

Most private flights are made for business reasons, and maximizing time is crucial. This means that schedule, location and efficiency of the airport process are prioritized. The key reason for flying privately is that people are buying time. Maximizing time when flying for leisure remains a priority, but the tone of this shifts: it is not about meeting schedules and getting somewhere quickly, but getting through security in a relaxed fashion and being able to travel easily with children or pets.

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2

CONTROL

UHNWIs and business leaders want to feel that everything is under control and within their influence. Dealing with the unexpected is uncomfortable and can have implications, both emotionally and practically. Flexibility for the passenger is also key, especially when, as often happens, meetings overrun. For business travelers, flights become much less about luxury when the priority is efficiency. When UHNWIs travel for leisure, a desire for greater emotional warmth on board is also apparent; more personalization of the space and menus, for example, ensure that comfort is an essential feature.

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3

PERCEPTIONS OF SAFETY

Safety is, of course, crucial but it is often judged on the surface with many of the underlying details taken for granted. Perceptions of safety are a hygiene factor but may, on occasion, be compromised for efficiency and cost.

When the wealthy travel for leisure, the flying experience is often part of the journey. Leisure travel typically involves additional family members and this dials up the need for safety.

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4

MITIGATING RISK

Business leaders and the wealthy face many risks to their personal safety, reputation, wealth and – in the case of business – critical information. Managing and mitigating against risks and feeling truly secure are only possible when trust is part of the equation; while many things can help build this trust, consistent experiences are the main way that the wealthy come to feel protected against those risks.

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5

PERCEIVED VALUE

Finally, there is the perceived value of a private flight. Flying privately is not always the most economical choice when looking at headline figures alone. The cost of each flight and ongoing commitments varies considerably by method and the jet in question. But given the needs that people have for each individual flight, the fees are largely considered in the round, with clients assessing fees against elements such as on-board facilities, ease of reaching the destination, ongoing maintenance etc.

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Using qualitative interviews carried out with independent experts and published information from leading providers in each field, Wealth-X has objectively assessed how well each solution performs against the established needs of frequent private fliers. Of course, this is an approach that can, to some extent, mask the variability within each area – one charter experience, for example, may not be like another. However, at a high level, this index provides a way to navigate and compare different flying options from the perspective of the fliers.

1

A Flier's Perspective

Maximizing time

"When passengers arrive, they have a seamless experience – they just have to show their passports, go straight through, grab a drink. It's all about having no stress. For example, at Farnborough [London], your driver can only get to the aircraft if he has the right code. I've heard horror stories of people's drivers not being able to get to the aircraft. Really, from start to finish, it's just triple checking everything."

[UHNW intermediary]



A Flier's Perspective

Maximizing time

UHNWIs are often time-pressed and, because of this, they highly value the time saving that private aviation provides

Security queues and waiting around mean that commercial travel – first-class or not – is laborious and drawn out, though many first-class ground services seek to minimize these as much as possible. In private aviation, however, less ceremony on the ground and the fact that the plane can take off minutes after boarding are among the most appreciated aspects of this option. Ultimately, this is a desire for convenience and ease at every step of the journey.

EVALUATION

Ownership stands out as the most time-efficient and flexible approach to flying as, despite the necessary hassle in purchasing and management time, on almost all occasions the jet can be ready at very short notice. Many other methods, however, have systems and processes designed to enable the most effective and efficient experience possible.

Membership providers often offer a centralized point of contact to oversee all of the ‘moving parts’ involved in managing a travel experience. This can be delegated to relationship managers and concierges, though other services, including private aviation membership providers, prioritize this facility. VistaJet, for example, states that its Member Services team is available 24/7 in offices across the globe. This service is designed to ensure that each part of the process works faultlessly: “From scheduling a flight, every detail is covered, from a particular bottle of wine or catering from a preferred restaurant, to a particular magazine or a chauffeur service to the airport.”⁶

Four elements feed into actual and perceived time and the hassle of dealing with a flight:

1. **Purchasing time**
2. **Booking process**
3. **The journey as a whole**
4. **Ongoing management and decision-making**

Pre-planned contingency and short lead times can be crucial, particularly for business travel when plans can change at very short notice. The lead times required by different private aviation membership program providers can vary from six to 12 hours for those offering guaranteed availability within a 24-hour time frame.⁷ During peak periods, however, one can expect to have to make reservations anywhere from 24 hours to seven days before traveling.

Even without a person overseeing the process, organizations are taking steps to optimize the time spent planning. Digital chartering and booking is a significant recent development within private aviation that seeks to enable a more efficient and straightforward experience. Victor, a digital chartering platform, makes comparing, booking and managing flights simpler and quicker by offering end-to-end charter booking on both web and mobile.⁸ Other providers such as Skyjet claim to facilitate bookings in less than 30 seconds, and allow secure payment via Apple Pay, credit card or wire transfer.⁹

⁶ www.vistajet.com/about-us/

⁷ www.forbes.com/sites/douggellan/2017/04/15/private-jet-cards-lets-talk-guaranteed-availability-minimum-daily-charges-peak-days-and-more/#72d6b7a96a5b

⁸ www.flyvictor.com/en-gb/difference/#/

⁹ www.skyjet.com/on-demand-charter/

MODEL	TIME RATING	KEY POINTS
Ownership		No lead time for reservations necessary, though aircraft requires ferrying to flier's location and acquiring permits to fly and land Booking and scheduling can be done at any time Requires management time for purchasing, staffing, catering, maintenance, legal representation, etc. May not be able to fly everywhere (<i>depending on training level or permits, for example</i>)
Membership		Requires lead time to schedule and book a flight Typically has good customer service. The entire process is managed and made easier for the individual Most providers offer access to more destinations through international reach
Fractional ownership		Requires lead time to schedule and book a flight. Peak times can make this process more difficult Typically has good customer service. The entire process is managed and made easier for the individual Most providers offer access to more destinations through international reach
On-demand charter		Ability to source a nearby aircraft quickly. Availability in peak periods can have a large effect on this Sourcing additional services such as pilots, hostesses and catering can be time consuming No centralized customer services Most options require ‘owner’s approval’ before booking can be confirmed
Commercial first class		Requires little lead time, but peak periods can influence the service Requires the flier to be at the airport earlier and to wait longer Centralized customer service, but not as personalized

2

A Flier's Perspective

Control

“Having access to a private jet allows you to plan your flight around your life. It gives you the luxury of being able to go wherever you want to go, whenever. Having the jet there gives you the ability to go to your meeting with the added peace of mind that if it overruns [...] you have the flexibility of moving your flight time to suit you.”

[VistaJet professional]



A Flier's Perspective

Control

UHNWIs are used to being in control. They are typically surrounded by people who know them well, understand their needs and requirements and work to ensure that they are met

Having control is a key aspect and driver of private aviation needs and experiences, often standing in stark contrast to commercial offerings.

The control over **location**, for example, allows people greater flexibility in choosing where to live and ensures that they don't spend extended periods of time away from home because of poor connections. This extends to their business life as meetings can be easily attended wherever needed, and with fewer connections. Freedom over location also means that reliance on specific scheduled flights is removed.

Control of the **schedule** means that people are able to maximize their time when booking flights. They can take off

EVALUATION

Feeling known and understood is essential for the seamless experience desired by UHNWIs and the business elite, and different modes of travel vary significantly in the level of control that they extend to fliers.

Ownership offers considerable control, but for individuals flying regularly for business and looking for guaranteed availability, other modes of private aviation provide that sense of control in a number of other ways. For example, membership models such as VistaJet offer guaranteed availability at contracted rates, whereas fractional programs¹⁰ typically impose a limit on the number of flying hours during peak holiday periods. If individuals are looking for immediate departure, on-demand chartering (including empty legs and seat sharing) can be an alternative.

Cancellation control and consequences can also vary considerably. Membership programs offer full cancellation policies, often between 24-72 hours in advance of the scheduled departure. On-demand providers will refund costs if the cancellation is made far enough in advance, but most require an upfront deposit or full payment and may only refund a proportion if the flight is cancelled close to departure. Commercial first class also varies considerably between providers and flights.

and arrive when they need to, and know that the jet will always be waiting or guaranteed to be available at short notice. Delays are less likely and communicated directly to fliers, allowing easier contingency management.

The drive for control also extends to the on-board **experience**. Private fliers often want to personalize flights. Although a base level of luxury is largely assumed, more often this is about ensuring that flights deliver on client's needs; this may mean securing a certain crew, making sure entertainment is provided for the children, providing a tailored dining plan and the ability to request certain foods or even hypo allergenic linens.

Control over the personalization of the on-board experience can be best when fully arranged by the client themselves. However, some membership programs pride themselves on learning about the tastes and preferences of fliers, the more flights they take. Both NetJets and VistaJet advertise the quality and personalization of their on-board cuisine: VistaJet partners with renowned chefs globally¹¹ and NetJets has a network of leading caterers.¹² Ensuring that services on board will be the 'best of the best' and emphasizing how these will be exactly what clients want is becoming increasingly important.

Scheduled commercial flights are one of the few situations where the wealthy and business elite have comparatively little influence over what they receive, despite the choices available. Commercial first class, however, is upping its game with regard to on-board services with the launch of private cabins by some providers, although these remain less personalized than private jets in general.

¹⁰ www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-deloitte-private-aircraft-011315.pdf

¹¹ www.vistajet.com/about-us/experience/

¹² www.netjets.com/en-gb/service

MODEL	CONTROL RATING	KEY POINTS
Ownership		Full control over a schedule that suits individual needs Ability to fly to/from chosen destinations, dependent on pilots' training and permits
Membership		Full personalization of the on-board experience. This may require work if additional services, such as catering and sourcing a hostess, are needed on board
Fractional ownership		Main providers offer guaranteed availability at a contracted rate Ability to fly to/from a destination that suits, based on coverage area of the provider On-board services are typically provided as part of the package, but might come at a cost
On-demand charter		Guaranteed availability can have a limit in peak travel periods Allows flexibility in cancellations and rescheduling Ability to fly to/from a destination that suits, based on coverage area of the provider On-board services are typically provided as part of the package, but will come at a cost
Commercial first class		Ability to source the closest jet, at the cost of not knowing if the jet is the preferred choice – no guaranteed availability Ability to fly to/from a destination that suits, dependent on aircraft and permits On-board services are typically at the individual's discretion and will require sourcing independently – inconsistent service levels
		Availability is not guaranteed Ability to fly to/from a destination that suits is limited High quality on-board services are often provided, but are typically less personalized

3

A FLIER'S PERSPECTIVE

Perceptions of safety

“Your flight attendant is dressed really well, your on-board silverware is of the highest quality and the plane’s interior is spotless, everything is in order. Many clients associate that with safety, highlighting the importance of ensuring every element is looked after. So, imagine you step onto a plane that has a mark on the carpet – that’s very different. Then people start to question what you do with your safety, with your maintenance.”

[VistaJet professional]



A Flier's Perspective

Perceptions of safety

Safety is key for UHNWIs and private business fliers, but many judge this at a surprisingly high level

An impression of safety is informed by many different factors, but two dominate:

- The age of the plane
- The visual condition of the exterior and cabin

Many UHNWIs don't like to travel on older aircraft. While older planes are often less expensive to purchase outright, many fliers prepared to pay more to have access to newer models as these are considered to be safer and more comfortable. For chartering, this information is usually provided by intermediaries during the booking process, with some chartering brokers also actively sharing length of time since refurbishment to reassure their clientele. Having said this, some private fliers have a more sophisticated knowledge and will seek information on models to reassure themselves of quality.

EVALUATION

In safety terms, one's 'own' plane may seem to be the most reliable option given the familiarity the owner has with the aircraft. However, many owned planes can be older and lacking in the most up-to-date safety features. Although they can be used exclusively by the owner, it is the owner's ultimate responsibility to ensure that flights taken with the plane are safe, which can be a burden – this includes finding and recruiting qualified pilots, maintenance team and crew.

Membership and fractional ownership, on the other hand, do not require fliers to recruit crew – these are already managed by the organization, most of which recruit highly experienced pilots and crew. Both VistaJet¹³ and NetJets¹⁴ require their pilots to hone their skills in flight simulators twice a year, and VistaJet even trains its cabin crew using the British Butler Institute. In addition to this, it flies under 'commercial' terms, which have more safety margins than those for private flights through ownership. The fleet of planes in memberships and fractional ownership programs are typically new and of a consistent condition: FlexJet claims its fleet is amongst the youngest, with an average age of less than five years.¹⁵ VistaJet's fleet is even younger at only 30 months old. Membership organizations like VistaJet, operating as fleets, also provide an

UHNWIs assess whether a private jet is safe in the same way that they assess a commercial airline: if it looks very old and poorly kept, they won't trust it to be safe. Tatty seats and dirty carpets suggest a lack of care, with the implication being that care won't be applied to things hidden from view, and that corners may be cut. Here, the presentation of staff is an important way of judging how seriously and professionally safety is taken.

Many would trust their contacts will have already done their due diligence on this. Many intermediaries do so for their clients by using preferred suppliers, checking in on records and only making bookings covered by legislation. Some wealthy private fliers would check beyond these measures, though, and could look at additional details on staff training, time since maintenance and safety certification levels achieved by the operator to be further reassured of the safety of their trip.

organizational perception of safety beyond a single aircraft or flight, akin to commercial airline 'brand trust'; corporations regularly conduct due diligence on the business before buying memberships, as safety is key, and this means the organization can be assured of safety across the group.

On-demand charter is more of a lottery when it comes to a feeling of safety, as it can be highly variable from one provider to the next. Planes can vary hugely in age and condition and many individuals can feel unsure about the level of safety provided, particularly when faced with an unfamiliar crew and aircraft.

Commercial airlines are typically consistent in terms of condition of plane and feeling of safety, but this depends hugely on which airline is being considered. Some operate newer, more popular aircraft and have better reputations for cleanliness, but others are seen as badly kept and in poor condition, which affects views on safety. That said, commercial airlines operate under very strict safety regulations, with the safety of the plane's passengers taking priority over everything else.

¹³ www.vistajet.com/about-us/experience/

¹⁴ www.netjets.com/en-us/safety

¹⁵ www.flexjet.com/wp-content/uploads/2017/02/2017-Flexjet-Media-Kit-v1.2.pdf

MODEL	SAFETY RATING	KEY POINTS
Ownership	    	Aircraft are typically older and less used Owner is solely responsible for all safety aspects, including flying, staff training, compliance with regulations and plane maintenance
Membership	    	Aircraft can be brand new and the condition of the plane is consistent Pilots and staff are typically highly experienced and have gone through extensive and recurrent training
Fractional ownership	    	Aircraft are typically new and the condition of the plane is consistent Pilots and staff are typically highly experienced and have gone through extensive training
On-demand charter	    	Age and safety of an aircraft varies by trip and provider Safety elements such as pilots and hostesses are typically sourced by the flier and reliant on their own knowledge or that of a third party
Commercial first class	    	Age and composition of aircraft are typically consistent within a provider's offering, but this varies across providers Providers operate under strict safety regulations

4

A Flier's Perspective

Mitigating risk

“They don’t want to stand in a main terminal. They don’t want to go anywhere where they’re in a position of unfamiliarity. Even if they’ve got security guards [...] they don’t want that.”

[UHNW intermediary]



A Flier's Perspective

Mitigating risk

Owning a jet is sometimes considered to be the ultimate in flexibility and control. For some, however, this is a small world and being identified is an issue – a private plane doesn't always mean flying in privacy

For example, if a specific plane is clearly identifiable, a charter may be used instead to maintain discretion. Concern about reducing exposure and risk is often exacerbated when traveling with children. In the current media landscape, some have layered a fear of 'terror' into their thinking around the use of

EVALUATION

Ownership offers a high degree of risk minimization for all types of flier. The owner has ultimate control over the personnel on the plane and the familiar environment of the aircraft encourages a feeling of security and confidentiality. What ownership doesn't always afford is absolute discretion, as aircraft can be connected to an individual owner, thereby broadcasting their location.

This is an advantage of membership programs, fractional ownership and on-demand charter as they enable individuals to fly privately without being recognized. Furthermore, the configuration of large cabins can often be specified ahead of flights allowing passengers to fly in one area of the aircraft undisturbed by crew.

On-demand charter is somewhat less secure than membership or fractional ownership, as the aircraft and crew are different for each flight and often unknown, which heightens the risk of corporate confidentiality breaches for business fliers. With membership programs and fractional ownership, there is a greater degree of corporate security assurance as providers

private aviation over commercial. There have been concerns around commercial aircraft presenting a hijacking risk or large, hub airports from which commercial airlines operate being more of a target for terrorism.

employ vetted staff on all flights. Additionally, membership programs' fleets can also offer larger planes than may be affordable under ownership, with separate cabin spaces enabling the greatest level of privacy.

Commercial flights present a significant risk, by comparison. The shared nature of first-class cabins – even with the use of private suites, VIP lounges and discreet boarding – means that fliers are at risk of recognition. This also means that confidential discussions are less feasible on board as they may be overheard by other passengers. Additionally, personal security is at a greater risk. Although passenger security and safety are prioritized, commercial flights present a greater risk in light of the number of unknown individuals involved and the history of targeting scheduled passenger flights through hijacking and terrorism.

MODEL	RISK RATING	KEY POINTS
Ownership		Aircraft are easily identifiable Complete control over individuals allowed on the plane, making privacy and confidentiality a guarantee Owned aircraft make flying more familiar and consistent – and seemingly more secure
Membership		Allows individuals to fly without being recognized Consistency of fleet and service allows individuals to feel more secure Privacy and confidentiality are not an issue as providers are bound by contracts and the same staff are used
Fractional ownership		Allows individuals to fly without being recognized Consistency of fleet and service allows individuals to feel more secure Privacy and confidentiality are not an issue as providers are bound by contracts and the same staff are used
On-demand charter		Allows individuals to fly without being recognized Aircraft model and consistency will differ by provider and trip Privacy is not an issue Risk of corporate scrutiny and confidentiality issues
Commercial first class		As the aircraft are shared, individuals are easily recognizable No confidentiality or privacy among passengers Personal security is at risk as airlines can only take the best measures to prevent personal security breaches among passengers

b

A FLIER'S PERSPECTIVE

Perceived value

“Even though he can afford to fly privately in Europe and the US, longer flights double your budget overnight. That is either prohibitive, because they can’t afford it, or arguably prohibitive, because they don’t feel that it’s justifiable to spend that kind of money.”

[UHNW intermediary]



A FLIER'S PERSPECTIVE

Perceived value

Cost and perceptions of value are primary considerations when selecting one of the different flying options

The ability to afford a certain format of private aviation – ownership, membership or on-demand chartering – does not mean it is always preferred, even if it presents a significantly more comfortable or convenient experience. It has to make sense from a cost-benefit point of view.

Three essential elements feed into cost effectiveness. The first one is the level of **wealth of the flier** (wealthy individuals) or their **seniority** (business leaders), the second is the **frequency** of flying and the final element is the **type of flight**.

Most wealthy individuals who fly consistently make an initial jump from commercial first to ad hoc chartering. Over time, however, the inconsistency of the charter experience, or increasing flight frequency, can make this a cost-inefficient

EVALUATION

When it comes to cost alone, ownership is by far the most expensive option. The very high upfront cost, which could be anywhere between \$3m and \$100m depending on the range and type of plane, is then piled with additional ongoing fixed costs. These can range from crew salaries and benefits to hangar costs, and modernization to insurance, not to mention the variable costs of fuel and catering. Another key cost consideration of ownership is depreciation; the older an aircraft gets, the less it is worth. For example, a 2010 Gulfstream G450 is worth only 35% of its original value seven years later.

Fractional ownership exists because of the very high costs of outright ownership. Although there is still an upfront cost, it is lower than that of outright ownership and although there are ongoing costs like a monthly maintenance fee, they are fewer than those of single ownership. Depreciation of the aircraft is still a key factor in fractional ownership that adds another cost to the model.

Membership programs require no investment in the aircraft itself but in-flight hours – this model is, therefore, free of depreciation costs for the flier. The upfront cost is investment in a certain number of hours, which have to be used throughout the year. It also provides the opportunity to access a full fleet

choice, especially when trading off other key factors. Flight frequency for businesses can also make on-demand charter an impractical and expensive option.

Membership programs provide a more practical option for frequently flying individuals and businesses, offering all the benefits of private aviation with less hassle and more guarantees – the commitment, however, is usually substantial. Fractional ownership also presents itself as an option at this level, though this is tempered with the understanding that there are tax implications in the ownership model, alongside the asset cost and quick depreciation.

Outright ownership is more common amongst larger businesses and the super wealthy.

of aircraft – including larger planes – rather than just one. Chartering requires no upfront cost, you simply pay for your flights. Flight costs are variable and can be relatively low, although there are often unexpected costs and an attractive initial quotation can increase significantly with add-ons and preferences. Chartering is also significantly more expensive than the average first class seat on a commercial airliner.

For example, if you were to look at a direct, round-trip flight from Los Angeles International Airport to Tokyo Narita Airport two weeks before departure, Pentastar Aviation's long-range jets can be chartered for \$7,000-\$9,000 an hour. For a fully booked, 11-hour round-trip to Tokyo, this comes out at around \$11,647 per seat. A first-class ticket with Delta would range from \$3,300-\$6,101, depending on the time of departure.¹⁶ This makes commercial first class the most cost-effective option, particularly for long-haul and ultra-long-haul flights where private aviation options can cost more than 10 times as much. Commercial airlines often offer generous loyalty rewards to frequent fliers and those using their premium business and first-class cabins on long flights, which can reduce the cost of future flights.

¹⁶ www.justluxe.com/lifestyle/aircraft/feature-1963435.php

MODEL	VALUE RATING	KEY POINTS
Ownership		High upfront cost Ongoing costs such as maintenance, crew, insurance, refurbishment, hangar costs, etc. Depreciation
Membership		Some initial upfront cost, then pay-as-you-fly monthly throughout the year Some transfer or rollover of hours are available Often contracted fixed hourly rates are offered and ensure the full flight cost is not affected during peak dates
Fractional ownership		Upfront cost reasonably high Ongoing costs such as monthly maintenance fees and 'occupied' hourly fees as well as depreciation Some flexibility in the transfer of hours
On-demand charter		No upfront costs Paying for ad hoc flights depending on flight needs means flight costs are variable due to market prices and daily fluctuations Can often have unexpected costs
Commercial first class		No upfront costs Most cost-conscious way to travel Rewards for frequent fliers

TYPOLOGIES

Who flies privately and how

Given the array of choices available to the business elite and the shifting nature of their requirements, each flight is largely decided on its individual merits. This doesn't mean that each choice is different, however

There are certainly patterns in behavior over time that make choosing a particular option as the primary solution very sensible. These primary solutions are largely a combination of the **amount of time spent in the air** (over the course of a year), the **nature of those flights** (whether business or leisure) and, of course, the individual wealth level or value trade-off that people are able or prepared to make.

Four key typologies were raised time and again by participants in this research.



Flier I

Conventional frequency

REASONS FOR FLIGHTS

Largely flies for business reasons between hub cities like Los Angeles and London. C-suite or just below within mid-size organizations, or a senior manager within a larger organization. While long haul is the pattern for their work lives, they will often travel short haul for their vacations, whether that's holidaying in France or skiing in Aspen. Typically worth at least around \$10m.

TYPICAL SOLUTION

Commercial first and some on-demand private flights for shorter leisure trips.



Flier 2

Complete control

REASONS FOR FLIGHTS

Another business traveler, but with significantly higher time demands and more sensitivity in their work. Likely hub traveler, but also more likely to visit other 'off-the-beaten-track' destinations. Travels very frequently (typically more than 60 hours flight time per month) because of the high-profile nature of their role within or at the head of an organization. As a result, they also have high security needs. Likely to be worth a substantial amount – over \$750m.

TYPICAL SOLUTION

Ownership (self or through company), but likely to use some on-demand to 'shore up' down time or flight requirements that their jet can't meet.

Flier 3

Connected and seamless

REASONS FOR FLIGHTS

Flying is the backbone of their work life, and often a substantial part of their leisure life. Likely to travel mid-long haul with a wide variety of destinations on their itinerary (hub and non-hub). Usually has a higher requirement for security both on and off board, needing to conduct business during flights or wanting to ensure their own or their family's experience and safety. Is likely worth \$100m+, but simply doesn't have the time, inclination or funds required to run their own jet.

TYPICAL SOLUTION

Membership.



Flier 4

Experiential and occasional

REASONS FOR FLIGHTS

Typically takes intracontinental leisure flights. Travel is part of the experience and friends and family frequently accompany them. Flights are generally driven by seasonal trends, e.g. Geneva for the ski season. Usually worth \$50m or above, they want their travel to be as enjoyable as their actual leisure.

TYPICAL SOLUTION

On-demand services.



Looking ahead

The future of private aviation is looking buoyant, although not all will share equally in its spoils

1

PURCHASE OF TIME

In no small part, the development of different private flying solutions in the industry and the way the aircraft ownership market is maturing is due to the focus on the purchase of time by fliers. What was once a privilege reserved only for the largest corporates and the wealthiest private individuals has become a flexible lifestyle and practical business option.

2

AIRCRAFT DEPRECIATION

Aircraft depreciation is expected to remain high for most aircraft models.¹⁷ The purchase prices for used business aircraft, especially in the medium and large jet segments, remain relatively soft, reflecting the reality of there being more sellers than buyers.

The Tax Cuts Act, the biggest change to US tax in 30 years, has been widely welcomed by business aviation. There is a lot of optimism that 100% bonus depreciation on new and used aircraft (replacing five-year write-offs), combined with tax cuts for corporations and individuals, will encourage more aircraft buyers in the world's largest private aviation market. Business aircraft transaction specialists will be watching closely to see how changes to accelerated depreciation and 1031 Like-Kind Exchange rules will impact new and used aircraft sales.

3

MOVING AWAY FROM OWNERSHIP

In many ways, the softening sales on pre-owned aircraft mirror a wider, global trend of moving away from ownership of high-cost, high-depreciation assets towards renting models. The emergence of giant companies like Uber and Airbnb and the move from buying used luxury cars to renewing them every few years, is reflective of this.

In Europe last year, private flight activity was up 4% year on year. It was charter, however (rather than outright or fractional ownership), that was the driving force behind this market growth¹⁸. The number of charter hours flown in 2017 was higher than at any time since before the Great Recession began in 2008.

85%

PROPORTION OF NEW BUSINESS JET EXPENDITURE ANTICIPATED TO BE ON LARGER CABIN AIRCRAFT IN THE NEXT FIVE YEARS

4

LONGER TRIPS AND LARGER CABINS

Though private aviation is more commonly associated with shorter trips and smaller, lighter aircraft – with commercial airlines taking over on mid and long-haul flights – there has been a trend towards longer trips and larger cabins. The average number of flight hours in 2017, per aircraft, were two more than they were five years before.¹⁹ Operators have responded with a focus on larger-cabin aircraft classes, ranging from the super mid-size through long range, which are expected to account for more than 85% of all expenditures on new business jets in the next five years.

This is also reflected in the increased use of business aviation in far-flung places. In 2017, the regions of Africa (44% year-on-year increase), Central America (11% year-on-year increase) and, to a lesser extent, South America (5.5% year-on-year increase) saw surges in flight hours.²⁰

5

TECHNOLOGY

Technology will continue to play an important role in developing and broadening the industry, making the private jet booking process easier, faster and increasing perceptions of accessibility. App-based services utilizing empty legs have made it easier than ever before to access the experience of private aviation in the most time effective manner.

6

YOUNGER CLIENTELE

Whilst principal fliers are aged on average 61, one emerging trend supported by these other developments is the attraction of a younger clientele. These users, driven by their lifestyles, have come to expect choice, personalization, price transparency and, above all, ease of access through bespoke technology.

¹⁷ JETNET iQ Survey

¹⁸ EBAA

¹⁹ JSSI Business Aviation Index Q4 2017

²⁰ JSSI Business Aviation Index Q4 2017

Methodology

The Wealth-X and Investable Assets Model and the Wealth-X UHNW Database

To size and forecast the ultra wealthy population and its combined wealth, Wealth-X uses its newly updated proprietary Wealth and Investable Assets Model. This model produces statistically significant estimates for total private wealth and estimates population by level of wealth and investable assets for the world and each the top 70 economies, which account for 97% of world GDP.

Wealth-X uses a two-step process. Firstly, to estimate total private wealth, Wealth-X uses econometric techniques that incorporate a large number of national variables, such as stock-market values, GDP, tax rates, income levels, and savings from sources such as the World Bank, IMF, OECD and national statistics authorities. Secondly, Wealth-X estimates wealth distribution across each country's population. Due to a lack of wealth distribution data, most wealth models estimate wealth distribution patterns using income distribution data. However, Wealth-X's proprietary database of more than 100,000 dossiers of ultra high net worth individuals across the globe, as well as further dossiers on individuals lower down the wealth pyramid, allows it to construct wealth distribution patterns using real – rather than implied – wealth distributions, making the model more reliable. Wealth-X then uses the resulting Lorenz curves to distribute the net wealth in a country across its population. The database is also used to construct investable asset distribution patterns across each country's population. The model uses residency as the determinant of an individual's location.

To profile the ultra wealthy and the various flier types in greater depth, this report leverages the unique and proprietary Wealth-X Ultra High Net Worth Database, the world's most extensive collection of curated research and intelligence on ultra wealthy individuals. The database provides insights into their financial profile, career history, known associates, affiliations, family background, education, philanthropic endeavors, passions, hobbies, interests and much more. Wealth-X's proprietary valuation model (as defined by net worth) assesses all asset holdings, including privately and publicly held businesses and investable assets.

Private aircraft owners were identified from the alternative asset ownership details on Wealth-X's database. To profile the members of private aviation programs, VistaJet worked with Wealth-X to identify members present on the Wealth-X database. All data was analyzed in aggregate.

Analysis of the data and additional insights were provided by Wealth-X Custom Research, which conducted interviews with 12 experts in the private aviation industry and other intermediaries who work intimately with UHNWIs. Secondary research was also conducted into the various private aviation and commercial first-class flight options by Wealth-X Custom Research analysts.

References to \$ refer to US dollars.

Further information

To discuss this report or be provided with further data, please contact:

WEALTH-X

The global leader in wealth information and insight, Wealth-X partners with leading prestige brands across the financial services, luxury, not-for-profit and higher-education industries to fuel strategic decision-making in sales, marketing and compliance. Wealth-X boasts the world's most extensive collection of hand-curated dossiers on the ultra wealthy and produces unparalleled high net worth market research. Founded in 2010, with offices across North America, Europe and Asia, Wealth-X works with more than 500 clients, providing them with unique data, analysis, and counsel to drive business success.

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VISTAJET

VistaJet is the first and only global aviation company. On its fleet of over 70 silver and red business jets, VistaJet has flown corporations, governments and private clients to 187 countries, covering 96% of the world. Founded in 2004 by Thomas Flohr, the company pioneered an innovative business model where customers have access to an entire fleet whilst paying only for the hours they fly, free of the responsibilities and asset risks linked to aircraft ownership. VistaJet's signature Program membership offers customers a bespoke subscription of flight hours on its fleet of mid and long-range jets, to fly them anytime, anywhere. Customers can also request Direct one-off flights through the industry's first end-to-end booking app or a 24/7 global team.

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