



A smart and hassle-free way to OWNING A PRIVATE JET

Executive Jets Asia is the first in Asia to launch a fractional private jet ownership scheme, where a small group of investors pool resources to buy a private jet. The conveniences of a personal jet and the economics of the scheme makes sense.

Millionaire Asia's Brian Yim reports.

As usual, your business schedule is extremely hectic. You have meetings in 3 cities to complete within 24 hours and yet; you want to be back in Singapore in the evening in time for dinner with your family!

Impossible?

Not if you own your own private jet.

The alternative, for many others relying on commercial flights, is probably a 3-day schedule instead.

While the convenience and flexibility of owning a private jet makes sense, most balk at the high costs involved, as they perceive this as an unnecessary extravagance.

Buying your private jet is just a start. You also need to manage in-flight crew, flight operations, hangarage and maintenance. Coupled with limited

utilisation of the jet, the bottom line is intimidating and most cannot justify full ownership of a personal aircraft.

However, help is on hand. A group of entrepreneurs from Singapore, led by primary investor, David Ho, has created a solution. They are the first in Asia to promote the concept of "fractional executive jet ownership" where a small group of investors pool resources to purchase a private jet.

Explaining how the scheme works, Chief Operating Officer Douglas Robinson of Executive Jets Asia (EJA) said that a total of 6 co-owners are required to purchase a pre-owned, 7-seater Cessna Citation executive jet, worth US\$3m. Each of the co-owners will therefore own 1/6th of the aircraft.



EJA plans to operate a fleet of aircraft covering a 4 hour-radius, from Singapore, Malaysia, Indonesia and Thailand using just one aircraft type for a start, the Cessna Citation executive jet.

According to Mr Robinson, his market survey of companies and individuals with the motivation and

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financial resources to buy an executive jet, uncovered a number of key concerns.

First and foremost was affordability. "We feel that the fractional ownership scheme addresses this need well using an entry level aircraft that is stylish and yet comfortable for short and medium haul flights within a 4-hour operating radius."

He added: "Accessibility to small airports was also high on the priority list. In Indonesia, for instance, it is a hassle changing flights to get to the many small airports in the remote areas around the country.

"They also wanted a share of revenue if

the jet was chartered to third parties. Finally, they wanted flexibility to sell their shares anytime and a "money-back" feature," Mr Robinson said.

Taking all these market feedback into consideration, EJA's fractional ownership scheme addressed all these needs.

Each investor pays US\$500,000 to purchase the jet and for rights to use the aircraft for 70 hours per year for 5 years.

At the end of the 5 years, the aircraft is sold and the co-owners are guaranteed a minimum residual value of at least 50% of the purchase price of

the executive jet. Historically, Citation jets have one of the highest residual values.

For the first year, the investors do not need to pay any aircraft related costs including fuels, maintenance, landing, parking etc. From year 2 to 5, an annual maintenance and management fee of US\$60,000 per year, is payable. This is still more affordable than the US\$300,000 to US\$500,000 per year if you are maintaining the aircraft entirely on your own.

The EJA fractional ownership scheme also allows the co-owners to gain 30% of the net revenue

Fractional Ownership

Your benefits

- 1/6th ownership of your very own executive jet
- 70 hours of aircraft usage per year, for 5 years. Total: 350 hours
- Inclusive of all aircraft related costs: crew, maintenance, fuel and oils, insurance, landing, parking, etc
- 30% of the net revenue when aircraft is chartered out to non-owners at normal commercial rates.
- Owner preferential rate beyond the first 70 hours a year
- Equal share in the sale proceeds of the aircraft when it is sold at end of 5 years
- No maintenance and management fees in the first year
- Can sell your shares to anyone, anytime during the 5 years
- Use as tax deductible expense
- Total freedom to fly anywhere there is an airport within 4 hours flying time of Singapore.

Your investments

- One time fee of US\$500,000 to purchase one share: 1/6th
- Annual maintenance and management fee of US\$60,000 per year from Year 2 to Year 5. Total: US\$240,000
- Total investment: US\$740,000
- Projected net proceeds from sale of aircraft: US\$200,000 per share after 5 years, net investment is US\$540,000 or US\$1540 per hour
- Projected 100 hours of outside charter at US\$3,500 per hour (Total: US\$350,000 per year). Revenue to owner per share is US\$17,000 per year or US\$85,000 for 5 years. Per hour cost for owner drops to US\$1300 per hour.
- Projected 200 hours of outside charter, the cost for owner drops further to US\$1050 per hour.
- Further savings achieved when aircraft positioning and tax deduction factored in.



To date, EJA revealed that a total of 4 co-investors have already signed up to purchase an aircraft in Malaysia while another 4 shares have been bought for another jet in Singapore.

when the aircraft is chartered out to non-owners at US\$4,000 an hour.

To date, EJA revealed that a total of 4 co-investors have already signed up to purchase an aircraft in Malaysia while another 4 shares have been bought for another jet in Singapore. The first jet can be purchased when EJA secures another 2 investors in Malaysia or sells another 2 shares in Singapore.

The fractional jet ownership business is booming in USA and Europe and is now poised for take off in Asia. Richard Santulli, founder of US-based, NetJets Inc, was the first to create the concept of fractional jet ownership in 1986.

In 1998, after being a satisfied NetJets customer for three years, Warren Buffett, Chairman & CEO of the Berkshire Hathaway company acquired NetJets Inc.

NetJets is now the world leader in private aviation with a fleet of 500 aircraft and 14 different aircraft types to choose from.

A high flyer who books a private jet for less than 20 hours a year will still be better off continuing to charter an aircraft. However, if the usage is between 70 hours and 100 hours per year, then he will be a prime candidate for EJA's fractional executive jet ownership scheme.

Mr Robinson also cited more benefits of fractional ownership: "If you use your private jet for business, you can realise significant tax savings through depreciating your asset and even deduct it as a legitimate travel and business expense."

EJA is targeting at September 2005 for its first executive jet to take-off. ■

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New Malaysian Partner
Executive Jets Asia has just signed a partnership deal with Tunku Iskandar, Group Managing Director of the Melewar Group, a widely diversified business conglomerate, to expand into the Malaysian market.

Tunku Iskandar, who belongs to the Royal family of Negri Sembilan, is actively involved in the tourism industry globally. He was Chairman of the Pacific Asia Travel Association (PATA) 1989-1990 and 1998-current, President of Malaysian Association of Tour & Travel Agents (MATTA). He is also a Board member of the ASEAN Tourism Association (ASEANTA).

Commenting on the tie-up with Executive Jets Asia, Tunku Iskandar said: "This fractional membership scheme is long overdue. We are convinced that there are many Malaysian businessmen here who would be interested in the fractional jet ownership scheme and will invest in it."

Tunku Iskandar's father, Tunku Abdullah, is the son of the first King of Malaysia.

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INVITATION

Make your first move to own a private jet *Millionaire Asia* readers are cordially invited to an exclusive investor presentation and to board the Cessna Citation for a test flight.

Venue: Seletar Airport

Promotional incentive: Extra 10 hours of flight time entitlement in the first year (Total 80 hours of aircraft usage in the year)

For reservations, please contact: marketing@millionaireasia.com or Ms Alex Khalil, Senior Manager, *Millionaire Asia* at Tel: + 65 6 838 5010