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Bombardier's Flexjet to take on Buffett's NetJets with new global alliance

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MONTREAL — Bombardier's (TSX:BBD.B) Flexjet division is taking a run at Warren Buffett's NetJets by forming an aircraft-sharing alliance with two operators of business planes.

Under the deal with Jet Solutions and VistaJet, Flexjet's 1,000 North American customers will be able to use European-based VistaJet planes to fly within Europe, Asia and the Middle East.

VistaJet clients, in turn, will be able to fly in the United States using Flexjet aircraft operated by Jet Solutions. All three companies, which fly about 100 Bombardier-built aircraft, will offer their alliance partners preferred rates.

The move will expand global flight opportunities and could steal business from NetJets, the market leader, with a fleet of 800 planes.

"Our primary goal is to serve our customers well and when we do that it just begets additional business," Flexjet marketing vice-president Bob Knebel said in an interview Tuesday.

"We're not waking up every day thinking about how to defeat somebody else as much as we are thinking about serving the overall market in the best possible fashion."

Buffett's Berkshire Hathaway purchased NetJets in 1998, three years after the investment tycoon first became a customer. It flies to most spots around the world, but doesn't have a base in the growing Asian-Pacific region as does VistaJet.

NetJets couldn't be reached for comment.

Texas-based Flexjet was established in 1995 initially as a joint venture with a division of American Airlines. It allows individuals and companies to purchase a share in a business jet at a fraction of the full ownership cost. They pay monthly fees while Flexjet manages the aircraft, flight crews, fuel and insurance.

Since 2006, Jet Solutions has operated Flexjet's aircraft and allows customers to purchase flying hours.

Swiss-based VistaJet is a charter company that offers hourly rates to fly customers across Europe, the Middle East and Asia using Learjet, Challenger and Global Express aircraft.

The alliance increases the collaboration between the Flexjet division of the world's largest business aircraft manufacturer and VistaJet, the largest international operator of Bombardier aircraft.

Knebel said the alliance adds value for its so-called "fractional" or owner customers by expanding Flexjet's global flight network without a hefty investment of its own.

"This is a solution that allows us to provide an immediate solution rather than wait until demand grows sufficiently to grow a fleet, one aircraft at a time," he said.

The agreement doesn't require the parties to spend any money, but could result in additional revenues for Bombardier if its aircraft are flown more by VistaJets customers.

Analysts don't believe the alliance will have a material impact on Bombardier's revenues since Flexjet is a very small part of the transportation giant's overall operations.

VistaJet founder Thomas Flohr said the move is a "logical step" in the global development of his company.

"This alliance with Flexjet and Jet Solutions will extend our network into the U.S., offering our customers access to the best private jet service in America," he said.

Jet Solutions has operated more than one million flight hours since it was established in 1995.

Montreal-based Bombardier is a leading rail and aircraft manufacturer, with US\$19.7 billion in annual revenues.

Its shares closed up one cent at C\$5.44 in trading Tuesday on the Toronto Stock Exchange.

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