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BUSINESS JET TRAVELER[®]



HERB KOHLENER JR.

BUSINESS JETS HELP KEEP HIS \$5 BILLION
COMPANY ON THE CUTTING EDGE

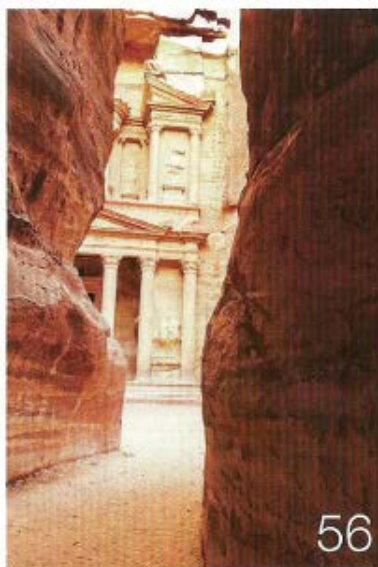
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Flexjet's Deanna White

PHOTOS: BILL BERNSTEIN

The new president of the third-largest fractional provider in the U.S. discusses plans to stay a step ahead of customers' needs.

by Mark Huber

DEANNA WHITE, THE NEW PRESIDENT OF Bombardier-owned fractional provider Flexjet, told us her company will continue to pursue what she called a "stealth wealth" clientele while offering customized solutions to clients' private air travel needs. Doing so, she added, may require bringing more capital into the business from Bombardier or "some other facility."

"You're talking about moving from a mix of products where the customer owned the asset in the fractional model versus more products where Flexjet becomes the owner of the investment to provide a lease or a jet card," White commented. "You have to look at how the company is structured to finance that to remain one step ahead of the customer's needs."

White joined Bombardier's fractional, jet card, charter and aircraft management program in 2005 and became president last October. Prior to coming to Flexjet, she

worked in the fast-paced and ever-changing telecommunications industry for 15 years at GTE and later at Genuity, an Internet company spun off from the GTE-Bell Atlantic merger into what is now known as Verizon. She holds a Bachelor of Science degree in accounting from the University of Tampa in Florida and an MBA from the University of Dallas. She is a certified public accountant.

Flexjet, which was founded in 1995, has 700 employees, including approximately 300 pilots. Its 83 Bombardier aircraft range in size from the Learjet 40 to the super-mid-size Challenger 300. (It owns 31 of the latter model, which is its most popular aircraft.) The company is based in the Dallas suburb of Richardson, Texas. It has remained the third-largest fractional program in the U.S. over the last decade, behind industry leader NetJets and Flight Options.

We spoke with White in Texas, aboard one of her company's Challenger 300 aircraft.

"FRACTIONAL IS STILL A PLAYER BUT THERE HAS BEEN A LOT OF DEMAND FOR [HOURLY] CARD PRODUCTS, INCLUDING DEBIT CARDS."

You came to Flexjet from the telecommunications industry at a time when it was undergoing rapid change. One could argue the same could currently be said for the private jet industry. What parallels do you see between the two fields?

There are interesting dynamics going on in the private jet business right now. Since the boom of 2007 a lot of niche players have been coming into the market and you are seeing a shift in how people are flying privately. Fractional is still a player and provides a lot of value for those who are interested in investing in a jet to get the low [hourly] operating rates that go along with that. But there has been a lot of demand for [hourly] card products, including debit cards, as well as discounts for the long-haul products. So you are seeing a shifting of how the services are procured. That is why we provide cards, leases and charter.

Among these various products, what is the mix of your business right now?

Seventy percent is still fractional, but some people don't want to make that investment given the economy, so they are using other products. We have a solution for virtually every customer, including leases with 90-day opt-out periods and debit cards. If our fractional customers want to shift out, we can keep them with our other product choices. Our FlexShare program allows you to purchase a share but to fly in more than one type of aircraft. Our debit card also allows you to fly in all of our airplanes. That said, there will always be individuals and businesses with an appetite for capital investment and all the various tax and operational benefits that go with that.

What has been the response to FlexShare since you began offering it last year?

It is relatively new and people are still learning about it. But even prior to it we had structured some customer deals similar to it. We hope it will be an exciting way for people to buy a share and have more aircraft choices.

What role do strategic partnerships play in the mix of services you are able to offer customers?

We have strategic partnerships with various international airlines including Qatar Airways and Korean Airlines as well as arrangements with international charter companies such as VistaJet. The

holiday jet card we are doing has offers available through Abercrombie & Kent Residence Club, the Lake Austin Spa resort in Texas and other upscale partners. We do a lot of that because it enhances the customer experience.

There is much speculation that taxes will be increased in the near future. What impact has this possibility had on your business?

Increased taxes always makes people more hesitant [to spend]; however, private jets are a great tool for businesses, especially businesses with multiple locations that cannot get quick access to them via the airlines. There will always be a demand for private flying, no matter the tax situation. That said, I hope government will address bonus depreciation for all capital investment as opposed to just targeting business jets [for the elimination of this deduction]. Capital investment is very important for economic growth and it is important that we have tools like bonus depreciation. *[The tax bill signed by President Obama in early January extended 50 percent bonus depreciation through the end of 2013.—Ed.]*



"CAPITAL INVESTMENT IS VERY IMPORTANT FOR ECONOMIC GROWTH AND IT IS IMPORTANT THAT WE HAVE TOOLS LIKE BONUS DEPRECIATION."

Buying a jet, in whole or in part, can be a complicated transaction. How well versed does your sales staff need to be in all the intricacies of related finance and tax topics?

Very. Our customers are entrepreneurial and have made good livings running businesses and getting the American dream. They tend to be people who do more shopping and dive into the details when looking at this type of purchase and all of the specifics of the value they are getting. They do all their homework and research. We don't have as many celebrity and sports professional clients. Our clients are more "stealth wealth." They are looking to partner with a company that provides a premium travel experience and treats them like individuals. Because of that, our sales force needs to be educated in the value proposition of Flexjet. They have to understand the customer and his flying needs and tailor a solution that meets his needs.

Bombardier has several airplanes under development, including the Learjet 70, 75 and 85, and Flexjet is typically the launch customer. How are these airplanes selling for Flexjet?

This year we did an 11-city tour with the Learjet 85 mockup to develop sales and we have already sold four of them. That is going to be a great airplane for us in the midsize class. It has a larger cabin than some competitors and a lot of ramp appeal.

It is great to be the launch customer for Bombardier and to be a private travel provider attached to an OEM. We've already started selling the Learjet 70 as well. We are building a backlog in the new aircraft that are coming online. This is really going to be an exciting year for us with the new aircraft and also celebrating Learjet's 50th anniversary.

Do you find that your market is limited because you don't offer large business jets such as the Global 5000 and 6000?

We have strategically chosen not to be in the ultra-long-haul market. It is a very small part of the fractional market, about 5 percent of the total. We will grow internationally through strategic partnerships such as those we already have with Qatar Airways and VistaJet so we can provide a worldwide travel network. We are always looking



at new technology and products coming online to make sure the plan for our fleet, the number of aircraft and aircraft types are right to match our market. It is a constant evolution.

The price of fuel is bumping up against \$10 a gallon in some markets. What impact is this having on your business?

We haven't seen the price of fuel, or the imposition of various fees, have much of an impact. However, there is discussion in several states, including California, of the imposition of additional aircraft property taxes. We are willing to pay our fair share, but we want to make sure that any tax increase is not onerous to our customers and is properly assessed. I was in Washington, D.C. recently advocating for our customers on federal issues.

Do you see your market growing in 2013?

I think we will see modest growth, especially in the second half of the year.

Going forward, what is your biggest challenge?

Trying to keep up with the market changes. It really is evolving. We need to stay ahead of what the customer wants and needs and make sure our company delivers. That includes the way the company is structured and operates. ■

Résumé:

Deanna White

- **POSITION:** President, Flexjet
- **PREVIOUS POSITIONS:** Vice president of finance and administration, Flexjet; various posts at GTE and Genuity, an Internet company
- **EDUCATION:** B.S. in accounting, University of Tampa [Fla.]; M.B.A. with emphasis on management information systems, University of Dallas
- **PERSONAL:** Lives in Dallas. Mother of an eight-year-old son named Bennett. Involved with her local home and school association and Little League.