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Dallas-Fort Worth's corporate jet industry looks for rebound after 'disastrous' 2009

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Operators of fractionally owned jets, like this King Air 350, are hoping for a better year in 2010



This King Air 350 at Executive AirShare is fractionally owned. The firm has 10 planes permanently stationed at Meacham, some that it owns and some that it manages.

After spending a lot of time grounded last year, corporate jets are hoping to fly a little higher in 2010.

And several North Texas airports are hoping to cash in on a private-jet market that is rebounding.

High-profile sporting events at Cowboys Stadium in Arlington are bringing more corporate jets to local airports, and with the economy picking up, companies are once again sending executives on private planes to conduct business.

"We feel much better about this year somewhat returning to normal," said Keith Plumb, president of Executive AirShare, a private-jet management company and fractional-jet operator.

A dismal 2009

With the recession and the negative publicity surrounding automaker executives who flew on Gulfstreams to a bailout hearing in Washington, D.C., the corporate jet industry had a dismal year in 2009.

"2009 took place after five years of record growth where they were adding capacity," said George Haley, marketing and international business professor at the University of New Haven. "With the absolute disaster that last year was, they have a lot of excess capacity remaining, and that's not a good thing."

For years, companies bought planes or signed up for fractional ownership of a plane when they really didn't need it, Haley said. So when profits dropped, some businesses decided to sell planes, while others got out of flying private altogether.

"People didn't stop flying for business because they didn't have a reason to fly," said Blair LaCorte, chief executive of XOJet, a private-jet charter firm. "They stopped flying for business because they wanted to make a statement that they weren't wasting money."

At Richardson-based FlexJets, new business was off 55 percent last year, CEO Fred Reid said. However, the company, a subsidiary of jetmaker Bombardier, retained 90 percent of its customers by offering incentives to extend their contracts for another year or two.

North Texas market

With Cowboys Stadium hosting national sporting events, including the Super Bowl in February, the Metroplex is poised to see an influx of corporate jets.

It is estimated that 600 corporate jets will descend on the region for the Super Bowl, and local airports have already seen more private planes fly in for other football and basketball games at the stadium.

As a result, Dallas/Fort Worth Airport plans to spend more than \$3 million converting a mothballed terminal into a private-jet facility. Arlington Municipal Airport also began construction this month on a \$5.1 million terminal.

But it's not just the sporting events adding to the area's private-jet market. With the economy improving, businesses are traveling again.

Fort Worth's Meacham Airport has become Executive AirShare's main base in Texas to expand its fractional fleet. The company has 10 planes permanently stationed at Meacham, including a few privately owned planes that it manages for owners, and expects to add clients in Austin, Houston and San Antonio.

"Texas is our fastest-growing market," said Plumb, adding that the company grew its fleet by 40 percent last year. "That's where we have to spend our dollars."

FlexJet, the second-largest fractional company, has its home base in Addison and over 800 employees in North Texas. The company welcomes the private-jet upgrades at D/FW Airport and says there is enough corporate business for all the regional airports here.

"Business aviation is here to stay," Reid said. "It's also a huge employer, with 1.3 million employees and one of the last great manufacturing industries in the U.S."

Growing again

Eager to put last year's losses behind it, the industry is focusing on improving operations to boost revenues.

NetJets, the largest fractional company, had a loss of \$711 million last year and has a debt of \$1.4 billion. Warren Buffett of Berkshire Hathaway, its parent company, wrote in his annual shareholder letter that NetJets is "now solidly profitable" after a new chief executive was brought on board in August.

At XOJet, which received \$470 million in financing in October, partly funded by Fort Worth-based TPG, flights in January increased by 31 percent from a year earlier. It is adding seven planes this year, LaCorte said.

And FlexJets, which only operates domestically, has partnered with Europe's VistaJet, enabling customers with both companies to book private flights in the U.S. and overseas.

"We are back in the profit zone this year," Reid said. "We disposed of a handful of airplanes and we had some layoffs at this time last year."

While fractional jet operators are expected to have a better year in 2010, jet manufacturers may still struggle as companies may put off buying a new jet or may charter a private jet only when needed, industry analysts said.

This year "is going to be better than last year by a long shot, but it's not going to be great," Haley said. "What many companies are thinking, it's not that it looks bad to buy the corporate jets, it's that it's an unnecessary risk."

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Executive AirShare's main Texas base is at Meacham Airport in Fort Worth. "We feel much better about this year somewhat returning to normal," President Keith Plumb said.