



JET CARDS VS. ON DEMAND CHARTER

An in-depth comparison



INTRODUCTION

Today's consumers pride themselves on being well-informed, especially when it comes to making large financial commitments. Most consumers also like to maximize value when spending money. We understand why the concept of a "Jet Card," or buying charter hours in bulk, appeals to many private fliers. The term "bulk," after all, implies a lower price. Flying private is not exactly inexpensive, and if there is a way to save, most people are interested in finding out how. The variety of pricing options in the private jet charter market can make for a tough decision, with sometimes hundreds of thousands of dollars in consideration. Creative packaging can make it difficult to make a truly informed decision. Before making that decision it is important to understand how jet cards and other flight programs work and exactly what you are getting for your money.

We created this guide to help simplify some of the decision-making involved in flying privately.

This guide will answer five main questions:

1. **What is the difference between jet cards and on demand charter?**
2. **What is the upfront investment when buying a jet card?**
3. **How does the fine print impact the overall price?**
4. **How do the costs of jet cards compare with traditional on demand charter?**
5. **What is the best option for you?**

Our goal is to present and explain your options clearly so you can make an educated decision that is right for you based on your individual needs.



Thank you,

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JET CARDS & ON DEMAND CHARTER DEFINED

It's important to understand that any jet charter flight booked in the United States is legally conducted by an FAA certified Part 135 operator (charter operator). Purchasing a jet card and booking directly with a charter operator are two of the top methods for procuring a charter flight, though both flights will legally be flown on an aircraft operated by a charter operator (the only exception is for fractional jet cards, which are operated as FAA Part 91 flights).

In essence, **jet cards function like debit cards. Hours of flight time are purchased in advance and debited from an account after each flight.** Companies that sell jet cards advertise the advantages of paying from point-to-point rather than round trip and the ability to make a single transaction versus filling out paperwork before each flight. Jet cards are largely marketed as the simplest and most ideal way to “access” private jets.

On demand charter is just that: booking an aircraft on a trip-by-trip basis, paying as you go. Advantages include the ability to select the best aircraft type for the mission and not having to tie up large amounts of capital. Since you aren't committed to a single operator, you can also shop around to guarantee the best price. Typically, on demand charter appeals more to travelers who usually fly round trip, prefer a highly personalized experience, and like to have more control over the exact aircraft in which they fly.

The following segment will address the nuances of both options.



Jet Cards

A jet card is typically sold as a block of hours purchased at a specified rate and locked in for a given window of time. Travelers purchase jet cards by pre-paying for a set amount of hours designated for a specific type of aircraft (i.e., light, midsize, heavy). Typically, rates per hour decrease as more hours are purchased. If you prefer to fly on a different aircraft than the type for which you bought hours, some programs will allow you to ‘trade up’ or ‘trade down,’ and hours on your jet card will be debited at different rates accordingly. Other programs only offer one or two aircraft types, in which case it is not possible to trade up or down.

From the outset, the simplicity and convenience of the jet card payment structure appeals to many. Payments are made in a single transaction rather than signing additional paperwork with each flight. The idea of this transaction simplicity combined with the touted “guaranteed availability” can be attractive.

How can these companies deliver on their promises, you may wonder? Most jet card business models are built with the notion of aircraft “floating” around the country. When you book a flight, the closest aircraft is sent to your requested airport. In order for this model to be sustainable, jet card hourly rates are inflated to compensate for the costs of repositioning, while flights not requiring repositioning subsidize those that do.

There are 3 main types of jet cards, and each differs in company type and features.

- 1 Fractional Jet Cards:** Fractional jet cards typically come with the highest price tag and offer private flyers a chance to utilize the aircraft fleet of a fractional or aircraft share company without the substantial buy-in cost. This type of card only makes sense for those who are sold on the company’s brand, which usually has to do with the age of the fleet, pilot training, and safety record. While all of these factors are significant, they are certainly not exclusive to fractional companies.

Fractional jet cards are sold based on two main criteria - time desired and type of aircraft. The traveler essentially sublets a fractional share of an aircraft in prepaid blocks of time on a specific type of jet. Most often, 25 hours are purchased at a time, but some companies offer varying options. As flights are booked, hours are deducted from the account.

2 Broker Jet Cards: Many jet brokers sell jet cards even though they do not actually operate any aircraft. Just as in other industries, brokers serve as the middlemen between the end customer (you) and the service provider (charter operator). Brokers fulfill demand by independently booking charter flights with various operators around the country. Typically, you will purchase jet cards through brokers at a fixed rate, but the operator of the flights will vary based on location, availability, and price.

Brokers run their own businesses separately from, but in conjunction with, private charter operators. A broker will sell a jet card for a block of time at a specific rate and will then negotiate with private operators to find an aircraft when the traveler is ready to fly. Because the broker does not own or operate the aircraft, the price you pay may differ greatly from the actual cost of chartering the jet. These types of cards are most advantageous for someone who travels frequently, without his own “home” airport, since brokers can search to find an operator based out of any location on your behalf.

3 Operator Jet Cards: Increasingly, operators are offering their own jet card programs that allow customers to purchase flight hours up front. Operator jet cards are offered by companies that directly operate a fleet of aircraft. Often, these operators offer a limited variety or even a single type of aircraft. Of the three types of jet card options listed, operator jet cards tend to offer the best pricing but the fewest amount of options and typically the most restrictions.

On Demand Charter

On demand charter operators offer an alternative to jet cards, giving travelers the most flexibility in terms of types of jets and dates of flight. For these reasons, many develop a strong sense of brand loyalty resulting from the relationships they form with their charter operators.

While on demand charter operators do typically factor positioning legs into their pricing, the hourly rate is much lower when compared to jet cards with far fewer restrictions.

Additionally, you pay as you go instead of putting down a significant initial deposit. Since the pricing is so transparent with on demand charter, it can at times be misunderstood as the more costly option.

The next section will break down the advertised benefits of jet cards and compare them to on demand charter.

ADVERTISED BENEFITS OF JET CARDS VS. ON DEMAND CHARTER

In addition to the promise of simplicity, some people choose to pay a premium for a jet card because of the implied benefits. We've outlined a few of the major ones below. While jet cards are often advertised as the most convenient option, many of the same benefits also apply to on demand charter.

Let's evaluate these touted differentiators:

- 1 One-Time Transaction:** There are two solutions that are competitive with jet cards' perceived benefit of a one-time transaction. First, many operators allow flyers to set up an account with the company based on an estimate of yearly travel. Their accounts are then automatically debited with each flight. Alternatively, some operators allow customers to keep a credit card on file that is charged per flight. Both of these alternatives can eliminate the need to arrange payment and complete paperwork each time one flies. How can you achieve these simple payment terms? Just ask.
- 2 Locked-In Rates:** Charter pricing is really not all that volatile. What volatility exists is directly associated with fluctuation in fuel costs. Most jet cards have a fuel surcharge clause to cover themselves in the foreseeable event of a fuel price hike, so "locking in" your rates really does nothing to protect you from the one source of pricing instability. This is not really a "buy low" situation.

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- 3 Guaranteed Availability and No Interchange Fees:** These can also be perks of on demand charter with an operator. The only way to guarantee availability as a company is to reach out to partner aircraft operators when your fleet is fully committed. This applies to jet card providers and on demand charter operators alike. Every company has access to the same network of charter aircraft and flights. When it comes to interchange fees, very few jet card companies ever charge these. Since this additional expense is incredibly rare, it can hardly be considered a true benefit.
- 4 Access to Over 5,000 airports:** Anyone flying on a private jet can access these same airports- having a Jet Card doesn't give you any exclusive access. No added value here unless you are comparing private aircraft travel to airlines.

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UPFRONT INVESTMENTS

How much will it cost to *access* the fleet?

When you read about the advertised bulk hourly rates of jet cards, keep in mind that a significant initial investment is required. Make sure to do the math and determine what the true hourly rate is before committing. Also, keep in mind that this cash is not exactly earning interest while ‘invested’ with a jet card provider.

For reference purposes, we have provided some comparisons of the upfront investments required by some of the most prominent jet card providers in today’s marketplace.

In this section, we’ll compare average rates[1] for the use of a heavy jet[2], such as a Challenger 601 or Gulfstream IV, on each type of jet card, noting what is typically included and excluded from the advertised hourly rate.

Typical Payment Structures

- 1 Fractional Jet Cards:** Fractional jet cards are almost always the most expensive. One major jet card company offers a jet card that includes 25 hours on a heavy jet for \$201,875, the equivalent of \$8,075 an hour. If the card is purchased through another popular company, it will cost \$226,900, or \$9,076 per hour. These prices exclude fuel surcharges and federal excise tax. Often, additional fees are charged when flying on peak travel days, and international rates are even higher.

- 2 **Broker Jet Cards:** A jet card for a heavy jet will most likely be slightly less expensive when purchased through a broker. With one of the larger brokers, the upfront cost is \$214,595 for 25 hours on a Citation X, which equals \$8,583 an hour, but, unlike fractional jet cards, this price includes a fuel surcharge. It does not include federal excise tax, and it deducts 12 minutes of taxi time per leg from your bank of hours. This might not sound like much, but it can add up. In some cases, the traveler may also be charged for overnight expenses for the aircraft and crew.
- 3 **Operator Jet Cards:** Jet card pricing for heavy jets varies greatly when it comes to operator jet cards. Typically, rates are between \$9,500 and \$11,000 per hour, depending on where and when you're traveling.
- 4 **On Demand Charter Operators:** On demand operators hourly rates are significantly less expensive. A trip on Schubach's Challenger 300, for example, will cost \$4,400 an hour, including fuel surcharge. Our Gulfstream IV is priced at \$5,500 an hour. These hourly rates do not include Federal Excise Tax (FET) tax.

Keep in mind that the hourly rate is typically charged to and from the aircraft's home base for any given flight itinerary. This means if the customer is just flying one-way, the charge will still include the positioning leg to get the aircraft home. On coast-to-coast one-way flights, it's often possible for the operator to sell the empty leg back: this scenario can offer true savings but does come with more restrictions.

The Bottom Line

Once you do the math it's easy to see that the jet card rates are approximately twice that of the hourly retail on demand charter rates. Most of the time, "point-to-point" pricing has close to a round-trip price included. When you consider this fact, the promoted "one-way pricing" often becomes a wash, and when not used strategically, can even end up costing twice that of an on demand charter.

JET CARDS COSTS

Adding up the Fine Print

As with most big purchases, there is typically more to the cost than the advertised number. Here we deconstruct some of the additional costs you may encounter that will impact your bottom line.

Common Fees

- 1 Fuel Surcharge and Other Hidden Fees:** One of the greatest perceived advantages of jet cards is their locked-in rates. This isn't the case, however, when fuel surcharges are added to the contracted price. Other fees may be added for catering, international travel, and incidentals. Jet card rates also do not include the 7.5% federal excise tax, which will be added to your purchase. Always confirm what additional fees will be built into the contract before purchasing a jet card, as charges vary by company.
- 2 Daily Minimums:** Jet cards have daily minimum requirements, which are typically two hours per day. What this means is regardless of the duration of your flight, you will be charged for at least two flight hours per day. For example, if you booked a flight to Las Vegas on a Monday and returned on Tuesday, you would be charged four flight hours even though the actual flight time would be slightly less than two hours.

On demand charter typically has the same daily minimum requirement. While daily

minimums are standard across the industry they can become more costly when added to existing jet card hourly rates. **The daily minimum is where one of the major differences between jet cards and on demand charter emerges. The hourly rate of on demand charter flights is often half that of jet cards. Thus, the dollar equivalent of one hour on a jet card is equal to four hours of a flight with an on demand charter operator.**

- 3 Taxi times:** Jet card programs add an additional 6-12 minutes of taxi time for takeoffs and landings. It may not sound like much, but this can really add up. If 6 minutes of taxi time is added both before takeoff and after landing, it will add a total of 12 extra minutes per leg. **Although 12 minutes doesn't sound like much, it equals 20% of an hour. That's an additional 20% of your hourly rate added on to every flight, dedicated to time on the ground.** If your trip involves multiple stops, you can burn through your block of hours purchased much more quickly than anticipated.
- 4 Non-Preferred FBOs:** I've had more than one jet card buyer relay their frustration over getting "non-preferred FBO" bills after a flight. These additional bills often include an extra fuel surcharge as the non-preferred FBO does not give the jet card provider (or operator) a preferred fuel rate. The trouble is that at times the airport closest to the customers destination only has one FBO that may not be part of the providers preferred network. A good jet card company will discuss this up front and offer alternative airports though that is not always an option.
- 5 Peak Travel Dates:** Often, jet card rates increase during peak travel days, usually by 20-30%. If there is not an additional charge, some companies limit the number of peak travel days on which a card-owner is allowed to travel. This is an important detail to confirm before purchasing a jet card.

The way peak travel times are handled represents yet another notable difference between jet cards and on demand charter operators. Most on demand charter operators do not change flight costs on peak travel days, though they may impose

a stricter cancellation policy. With most on demand charter operators, the cost and service will be the same no matter what day it is.

6 Wait Time Limitations and Fees: Because the jet card model is based on flight volume, jet card providers can impose restrictions on how long an aircraft will wait for customers to arrive and even charge (as much as \$600 per hour) for the time a passenger is running late. **Some cards also reserve the right to alter your departure time to fit it into their schedule.** For most private flyers, the ability to travel on your own schedule (and even run late every once in a while) is a big part of the overall value of flying private. You can lose this benefit with some jet card programs.

The Bottom Line on Additional Fees

Jet cards are advertised as a convenient option - the traveler pays one fee upfront and is then free to travel whenever and wherever he chooses. If you read the fine print, however, you will discover that additional fees apply to advertised rates:

- Fuel surcharges
- Non-preferred FBO fees
- Peak surcharges
- Federal Excise Tax (FET)
- Catering fees
- International fees
- Pet cleaning fees
- Wait time fees
- Incidental fees (ground transportation, baggage handling, etc.)

When flying with an on demand charter operator, pricing is much simpler. While different on demand charter operators may handle pricing differently, we'll use our pricing model at Schubach Aviation as an example. The initial quote you request will include all fees (minus special catering and ground transportation), presuming the flight itinerary remains the same. Even though fuel prices fluctuate, your quoted fuel surcharge is confirmed 10 days prior to flight and will not change after that point. If you fly to the same destination frequently, you can often negotiate a locked-in, discounted price for that destination and won't need to see a price quote for each flight.

As you can see, there is more to the cost of flying privately than the hourly rate. Hopefully, the breakdown in this section has provided you with a better understanding of how seemingly small things can start to add up. Receiving additional bills after your flight also detracts from the convenience of a one-time transaction.

Hourly Rate Comparison by Aircraft Type

Please note that Schubach's hourly rates are charged by calculating the flight time from our base in Carlsbad, CA. All other hourly rates listed are based on point-to-point pricing. On the following page, we apply these rates to actual itineraries demonstrating how they truly compare.

	SCHUBACH AVIATION	MAGELLAN JETS	FLIGHT OPTIONS	DELTA PRIVATE JETS*	SENTIENT
LIGHT JETS					
CJ1	\$ 2,150	-	-	-	-
CJ3	\$ 2,450	-	-	-	-
BEECHJET 400A	-	-	-	-	\$ 5,580
HAWKER 400XP	-	\$ 5,348	-	-	\$ 5,580
CITATION ENCORE	-	-	-	-	\$ 5,580
CITATION XLS	-	-	-	-	\$ 7,471
NEXTANT 400XT	-	-	\$ 5,300	-	-
LIGHT JET (specific type unknown)	-	-	-	\$ 5,500	-
LIGHT JET AVERAGE	\$ 2,300	\$ 5,348	\$ 5,300	\$ 5,500	\$ 6,053
MIDSIZE JETS					
HAWKER 800XP	\$ 3,315	\$ 7,387	-	-	\$ 7,471
CITATION SOVEREIGN	-	-	-	-	\$ 9,971
CITATION X	-	-	\$ 6,820	-	\$ 9,971
MIDSIZE JET (specific type unknown)	-	-	-	\$ 7,150	-
MIDSIZE JET AVERAGE	\$ 3,315	\$ 7,387	\$ 6,820	\$ 7,150	\$ 9,138
SUPER-MIDSIZE/ HEAVY JETS					
CHALLENGER 300	\$ 4,255	\$ 10,066	-	-	\$ 9,971
CHALLENGER 601	\$ 4,690	-	-	-	-
CHALLENGER 604	-	-	-	-	\$ 14,013
GULFSTREAM IV	\$ 5,500	-	-	-	\$ 11,433
GULFSTREAM GIV-SP	-	\$ 13,412	-	-	-
DASSAULT FALCON 900 SERIES	-	-	-	-	\$ 14,013
SUPER-MIDSIZE JET (specific type unknown)	-	-	-	\$ 9,950	-
HEAVY JET (specific type unknown)	-	-	-	\$ 13,150	-
HEAVY JET AVERAGE	\$ 4,832	\$ 11,739	n/a	\$ 11,550	\$ 12,358

*Delta Private Jets doesn't specify aircraft type, just size.

Price Comparison by Itinerary

How do the costs compare on a per-flight basis? In one chart, we've priced out three flights using Carlsbad, CA as the airport of origin. Each hypothetical example represents a different type of itinerary and demonstrates how in some instances, the bottom line is very similar, while in others, it can vary greatly. Rates are based on mid-sized aircraft and exclusive of FET tax.

DESTINATION	EAGLE, CO	TETERBORO, NJ	SAN JOSE, CA
Type of Trip	Round Trip (with 2-night layover)	One-way	Day Trip
On Demand Charter: Total Hours Purchased	6.0 (3 days with a 2-hour daily minimum)	5.0	2.7
On Demand Charter: Hourly Rate*	\$ 3,300	\$ 6,600 (one-way rate)	\$ 3,300
On Demand Charter: Additional Fees	\$ 1,870 (landing fees & RON)	\$ 1,595 (landing fees & RON)	\$305 (landing fees)
On Demand Charter: Total Cost	\$ 21,670	\$ 34,595	\$ 9,215
Jet Card: Total Hours Purchased	4.1	4.8	2.7
Jet Card: Hourly Rate	\$ 7,150	\$ 7,150	\$ 7,150
Jet Card: Total Cost	\$ 29,315	\$ 34,320	\$ 19,305

*inclusive of fuel charge

QUALITATIVE CONSIDERATIONS

Beyond the Price Tag

So far, most of our examination of the private aviation industry has involved costs. We want to make sure and address some other qualitative factors that many of our customers consider important.

Safety

For many private aviation customers, safety is the number one factor that determines who they will hire. This also is one of the more difficult details to ascertain from the company's website alone. Many advertise certification with ARGUS[3] and Wyvern, but these ratings aren't always complete indicators of a company's safety culture.

A good way to learn about the company's safety record is to ask specific questions. Here are some that we recommend as a starting point:

- **Does the company have a fully implemented Safety Management System?**
- **Does the company have or is working towards an ISBAO safety certification?**
- **How many flights/legs a day do the pilots fly on average?**

Get a feel for the company's safety culture. Find out whether they are incident- and accident-free. If there has been an incident, what have they done to remedy it? If you need more information, you can locate it with the FAA.

The private flying option that carries the greatest risk in terms of safety is with the broker

jet card. Often, the only guarantee jet card brokers can offer is that the operators they work with are ARGUS-rated. Be cautious when thinking about choosing to purchase this type of jet card. When you pay for a broker jet card, time in the air is purchased without confirmation of the operator that will be conducting your flight, and you will most likely be paired with the most cost competitive company at the time of travel instead of the most respected one.

Convenience

There are many aspects that define convenience, making this one of the more complex areas of private aviation to compare.

In terms of dates and times of travel, on demand charter is almost always more convenient. There are fewer time restrictions and no extra fees associated with peak charter days. With on demand charter, you fly on your own schedule.

When it comes to airport origins and destinations, the most convenient option depends on your own personal preferences and travel habits. If you have a home base and mostly fly in and out of that geographic location, it typically makes the most sense to charter with an operator that is based at or near that airport. If you travel very frequently to and from various locations, a jet card with a larger company may have more options available for you.

Personalized Service & Aircraft Options

Personalized service can be the quality that sets on demand charter operators and jet card providers apart the most. The distinction starts with the pilots. Jet card companies often have pilots flying four or five legs a day, whereas on demand charter pilots are solely available for your flight. This allows the pilots to be well-rested, fully prepared, and 100% attentive to your needs. This is important to some customers, while other private fliers do not desire much interaction with their pilots.

It is impossible for the larger jet card companies to get to know each and every customer

personally, so they aren't able to provide quite the same level of personalized service.

- **Is there a particular meal you like to have on each flight?**
- **Do your children have food allergies?**
- **Do you like a certain brand of bottled water?**
- **Do you travel with someone who requires wheelchair assistance?**

A good on demand charter operator will get to know your family, your preferences, and the services that will give you the best flight experience possible.

On demand charter operators are typically smaller than the companies that sell jet cards, which presents additional benefits to consider. Because of their large size, jet card providers often set generalized company policies for simplicity's sake since they don't have the time to address the needs of each customer. On demand charter operators, on the other hand, have more flexibility in adapting to unique customer needs and circumstances.

Brand Recognition

Whether you choose to fly with a company that is part of a large conglomerate, such as Berkshire Hathaway's NetJets or a local on demand charter operator like Schubach Aviation, it is reasonable to consider the brand as part of your buying decision. Ask yourself if the reason for the strong brand recognition is in alignment with your needs to feel comfortable spending tens or hundreds of thousands of dollars with that company. If not, keep in mind the other aforementioned factors.

CONCLUSION

With so many different choices available to customers in the private charter market, we know that making an informed decision about who to fly with can be difficult. This guide was designed to offer clarity, presenting the options simply, explaining the finer (at times costly) details associated with different jet card programs, and comparing those with traditional on demand charter operators.

Our goal is to help you make the investment that best fits your travel needs based on frequency of flying, potential destinations, type of aircraft, and, of course, financial responsibility. We hope that you now feel more informed about the options available and prepared to make the best decision for your travel needs.

We invite you to consider us as your aviation resource. Please do not hesitate to contact us with any private flying questions.

Warm regards,

The Schubach Aviation Team



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[1] Since not all companies have the same aircraft types, we are referencing averages of aircrafts within the heavy category of aircrafts.

[2] Some companies call these aircrafts "super-midsized jets." For consistency, we will use the term "heavy jet."

[3] ARGUS rates a company based on pilot backgrounds, company safety records, and aircraft conditions, among other things.