

Hospitality

A Game Changer

An Interview with Fred Reid, President, Flexjet

EDITORS' NOTE Fred Reid assumed his current role in August of 2008. His most recent post was as Chief Executive Officer of Virgin America. Prior to this, he served as President of Delta Airlines. He was the first U.S. national to lead a major international airline when he was President and Chief Operating Officer of Lufthansa German Airlines. From the mid-'70s to early '90s, Reid held marketing and management positions with Pan American World Airways and American Airlines.



Fred Reid

He is a graduate of the University of California at Berkeley, and is a member of the Board of Directors of AMB Property Corporation.

COMPANY BRIEF Flexjet (www.flexjet.com) offers a turnkey program allowing individuals or companies to purchase a share in a Bombardier business jet at a fraction of the full ownership cost. Flexjet manages all aspects of the aircraft, providing flight crews, training, maintenance, insurance, and catering. The recent integration of Skyjet charter brokerage services into the company's product offering positions Flexjet as the first in the market to offer a complete range of private aviation solutions. Flexjet's parent company is Bombardier Inc., the Canada-based world-leading manufacturer of innovative transportation solutions, from regional aircraft and business jets to rail transportation equipment, systems, and services.

Would you provide a brief overview of the Flexjet ownership experience and how you differentiate Flexjet?

The reason a lot of people prefer fractional aircraft ownership more than whole aircraft ownership is that, while it's a lot of fun to own your own plane, utilizing the fractional model allows you to legally own a portion of a depreciating asset where you can buy anywhere from 1/16th of a plane to an entire aircraft. However, when you invest in fractional jet ownership, you don't have just one plane – you have 100 planes that you can fly on.

There are a number of additional advantages to flying fractionally. You can leverage the price differential for a shorter trip or get four planes on the same day to bring your board of directors together at a desired location. Also, there are 350 pilots and 100 mechanics, so there are a number of back-ups if there is a mechanical event. You can



buy into a whole system, and at Flexjet in particular, you're buying into a system with extraordinarily high standards.

We're the only fractional operator to have achieved two important milestones: the FAA Triple Diamond Award for 11 years in a row, and we're the only fractional operator certified for our safety program by the Air Charter Safety Foundation. We perform 200 percent of the required FAA pilot training, instructing all pilots as captains, and having them always fly the same aircraft type. In addition, we're owned by Bombardier,

which has a lot at stake reputation-wise.

How has the Bombardier relationship impacted the type of aircraft that you offer, and will you give a brief overview of the aircraft offerings?

We have the youngest fleet in the industry with an average age of less than three years, which is a big differentiator. The Flexjet fleet is made up exclusively of world-class Bombardier business jets, including the Learjet 40 XR, Learjet 45 XR, Learjet 60 XR, Challenger 300, and Challenger 605 business jets. The Challenger aircraft have longer range, a stand-up cabin, and are much roomier. The 300 and 605 can both get to Europe and back easily. We offer five different models of two different brands within one single manufacturer.

Have you succeeded in having people look at this type of service as a tool and an enhancement for business, as opposed to an excess?

Definitely. Private jets are truly essential business tools, not glamorous perks for the wealthy. In good times and in bad, the requirement for business travel remains. Ours is an industry that helps facilitate growth and commerce, providing a way for companies and individuals to more effectively and efficiently do business.

In fact, 75 percent of all private jets flown by companies do not have the CEO on board. They're troubleshooters, or technicians, or general counsels closing deals on a time-sensitive basis, or we're flying bankers somewhere to provide financing – it oils the wheels and greases the skids for the execution of American business on a very large scale. If you take the top 10 to 20 percent of the country's highest performing companies in terms of shareholder return, 92 percent use private aviation. If you have 15 factories, 150 restaurants, or 90 retail

outlets, and you understand that you can't run these businesses from a computer in an office, you cannot do what you need to do any other way. Also, these planes often have five, six, or seven passengers in them, and if you divide the cost of that plane per passenger and compare it to first class, it's going to still be more expensive, but not as much as you'd think.

I fly mostly commercial, but every now and then, I can't get where I need to be without a business jet – there is not enough time in the day. Otherwise, I could end up with my entire senior team out for a whole day, waiting in airports, with no Internet connectivity on commercial planes, extra hotel and meal expenses, and time away from their office and their homes. You multiply that by 5, 10, or 20 weeks a year, and private aviation can be a game changer.

In running a company like Flexjet, how challenging is it to budget your time, and how do you focus your efforts?

Three areas that I work on most are finance, operations and, primarily, human resource and organizational development.

The first matter is human development: I believe that if you get the right people with the right attitude, a lot is going to take care of itself. The next area is customer prospects and product development. We ask, "What are the hybrids among fractional and jet cards, whole aircraft ownership, and retail charter? How can we be present in the most areas, and how do we continue to evolve our product and offer more options for people?" In the past year, we've developed four or five new products to create more choice and ease of entry into this space for prospective owners.

We have about 900 owners. I host five to eight dinners a year for them around the country and spend the entire next day showing them financials, operating statistics, and discussing our strategy. I listen to their feedback and we take action accordingly. As a company, we take pride in our commitment to excellence. At the end of the day, that commitment is what empowers Flexjet to be a game changer in the private aviation industry. ●

Learjet 45 XR exterior and interior (Center top and bottom); Challenger 300 exterior and interior (Top and bottom right)