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SHARED OWNERSHIP

>>> Sharing Airplanes a Bright Spot in Slowdown

BY ROBERT GOYER

WHILE THE ECONOMIC DOWNTURN WAS devastating to aircraft manufacturers and their suppliers, there was one segment of the industry, shared ownership, that saw its business hold the line and even, in some cases, expand.

Downturns often create business opportunities for companies that exist outside the core of an industry. And with shared ownership, the appeal today is natural: Customers can get a good deal of usage for less money down and with certain safeguards that their investment is not just going to go away if the company managing their airplane does. Most shared-ownership agreements put the customer's name right on the airplane's title.

One question I had for shared-owner-ship companies: Would tough times help generate new kinds of customers?

Mike Brosler, president of PlaneSmart Aviation, a shared-ownership company based in Addison, Texas, says that the initial response to the stock-market drop was devastating: "All new activity seemed to stop as people assessed what was going on in the economy," he says. "Since the first of the year, however, we have had a steady stream of new inquiries and more owners joining the program than ever before."

David Lee, CEO of Atlanta-based AirShares Elite, which sells shares in Cirrus SR22s, says that his company has been seeing a different kind of pattern.

"Aircraft decisions," he tells *Flying*, "tend to fit more into the 'discretionary spending' category and, of course, those dollars are hard for people to spend right now. From October to late February we saw a fairly dramatic decline in new-pilot inquiries but saw an increased number of inquiries from more mature pilots and existing aircraft owners."

Lee also points to a trend that some predicted for shared-ownership companies in a down cycle, so-called "right sizing," though contracts are taking more work to close.

"The aircraft owners are looking for less expensive ways to own and use general aviation right now," Lee says. "We've also seen the sales-cycle time increase over the past months. What used to be an easy and quick decision for owners is now taking two to three months. … People, as they should, are

 

>>> Their business plans are slightly different, but David Lee (left) and Mike Brosler (right), who head up AirShares Elite and PlaneSmart Aviation, respectively, share a common optimism on the subject of shared ownership of light airplanes.

taking the time to do their homework, look at the total cost of ownership and look at multiple alternatives."

Still, the trends are encouraging for AirShares too. Lee says, "We've seen a dramatic change since early March; we've added five new owners – LA, Philadelphia, Tampa – in the past three weeks alone. That may be an anomaly, or it may be that consumer confidence is coming back. I tend to think it is the latter."

PlaneSmart, for one, has expanded its reach, offering leased shares in its fractionally owned Cirrus SR22 G3 Turbos, as well as offering shares in late-model existing airplanes it manages for owners looking to decrease their cost of ownership. The service plays off PlaneSmart's already established business, managing Part 91 aircraft for multiple owners, and gives its customers new platforms – it has just signed on to manage a new Pilatus PC-12 in Austin, Texas – while giving itself new markets thanks to the faster, more capable airplanes it plans to manage.

AirShares, in contrast, is sticking with its established business plan. Lee comments that AirShares has had to "refine our 'next step' product offering."

"The recent fallout in the VLJ arena has been interesting for us to follow," he adds. "We were under a lot of pressure two to three years ago to add the Eclipse 500 to our lineup. The same people who were writing us e-mails saying 'You guys are falling behind. Why aren't you adding the Eclipse 500?' are now writing and saying 'Thank you for talking me out of that direction.' Owners still want to know there is a 'next step,' and they remain excited about what that is, but they, like us, are more patient with what and when that will be."

As Part 91 operators, shared-ownership companies can't provide pilots along with the shares, though they can facilitate their owners getting pilot services from vetted third-party pilots during a downturn. One might expect to see more individuals and small companies looking for shares in an airplane flown for them by a pro pilot. While these so-called "pilot services" have continued to be a core part of the business model for both AirShares and PlaneSmart, the downturn hasn't increased that demand dramatically.

"Interestingly, we've not seen a change in [pilot services]," Lee says. "Of dispatched flights, approximately one in four fly with a pro pilot."

But he did note an interesting trend: "More often than not," he says, "the owners who request a pro pilot are our most experienced and proficient owners. I think for a critical mission, maybe a business day trip, these pilots know that having a second pilot can reduce the workload and stress of an instrument flight."

Brosler says that PlaneSmart is seeing an uptick in pilot services, though it still represents a fraction of its owner-flown business. He says that PlaneSmart customers are "increasingly nonpilots who have no desire to learn but simply want to enjoy the benefits of general aviation. In fact, about one-third of our customers are nonpilots, and the word continues to get out that general aviation is not just for pilots anymore. Our goal is to provide a completely accessible and turnkey ownership solution such that nonpilot entrants help grow the GA industry overall."

One truth that has emerged from the downturn is that shared-ownership companies are a lot more resilient than many observers initially thought they would be. Brosler says that PlaneSmart, which is venture-capital funded, is in the process not only of expanding to new markets, but of putting down roots. The company plans, he says, to buy "a substantial piece of real estate" to help accommodate its growth.

"We are not likely to be going away anytime soon," he adds.

Lee says AirShares is in strong shape despite the economic slowdown.

"We've ridden a lot of economic waves, though none this large, over the past 10 years," Lee notes. "We survived the post-9/11 airspace shutdowns, we survived rapid increases in insurance rates and we survived the extraordinary increases in fuel costs from last year."

"The good part about our business model, unlike manufacturing, is that we don't require new sales to survive," he emphasizes. "Turning off the growth spigot doesn't mean we go away; it simply means we adjust our new capital expenditures and new market entry plans. Our core business exists nicely off the recurrent revenue streams that we have. Maintaining a large aircraft fleet and an established customer base in multiple markets has been a huge advantage." ✈