The Definitive Guide To Supplemental Lift

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Introduction

Previous to my current position as President and Director of Operations of Desert Jet, I was the Chief Pilot for a single aircraft flight department. On occasions I needed to find ways to ensure our principal always had an aircraft at his disposal, whether I was in training, on vacation, or the aircraft was in maintenance. We would occasionally have excess demand that our own aircraft could not cover, such as when several individuals needed to fly at the same time to different locations. Using supplemental lift, such as aircraft charter, fractional shares and interchange agreements with other operators, allowed our flight department to provide consistent and reliable aircraft availability to our users as long as we did our due diligence on the operators we selected.

Now that I run a part 135 on-demand charter company, I vet and choose supplemental lift options on a daily basis to fill our overflow charter demand. Our responsibility now in ensuring safe, reliable operations with excellent service levels extends to over 700 charters clients in addition to the owners of our aircraft, so we place a strong emphasis on the proper vetting of the thousands of supplemental lift providers available. Our company has devised a vetting procedure that allows us to have peace of mind when flying our clients on the aircraft of other operators.

We'll share our vetting procedures with you in this document and give you the insider's tips on what to look for when choosing a supplemental lift provider. For busy flight department managers, we'll provide quick and easy methods of ensuring an operator meets your standards. For those that want a full-in-depth examination of the safety standards of any operator, we'll provide the means for you to collect the information and compare to various regulatory and industry standards (FAA, IS-BAO, ARGUS, Wyvern and ACSF).

Using supplemental lift is a great way to ensure your ability to provide a consistent service level to your end users when your own fleet isn't available. I look forward to sharing my secrets to choosing the best jet providers to emulate your own fleet while making your job easier.

Table of Contents

What is Supplemental Lift and Why Do You Need It?

First, let's define supplemental lift. If you have the need to utilize an aircraft that is not part of your company's own fleet, you need supplemental lift. Most corporate flight departments will eventually have a need to supplement their in-house fleet with outside lift. Aircraft in maintenance, requests for multiple simultaneous trips or even flights that originate or terminate where your fleet cannot economically accommodate are good reasons to utilize outside lift options.

Like everything in life, there are pros and cons to using supplemental lift;

Pros

- *Allows department to fill sporadic needs without the purchase of additional or unwarranted aircraft*

Cons

- *Difficulty in finding operators whose standards match those of your flight department*
- *Potential to allow "camel's nose in the tent"*
- *Flight department manager loses control over the flight (confidentiality, privacy, security, quality, and service standards)*

You could choose to not utilize supplemental lift at all, making in-house travel the only option available to your end users. However, for busy and growing companies, this limits the service you provide to the aircraft's users and ultimately devalues the benefit of business aviation as it restricts your ability to provide the service.

Our option, then, is to mitigate the issues in our "con" list as much as possible. The way to begin this process is create the standard you will use to choose operators, and the process by which you will enforce/encourage this standard with your operators. We'll get into details on how to do this, but first, let's explore all the options available to you as a busy flight department manager looking to supplement your own fleet of aircraft.

Options to Fill Your Additional Lift Needs

There are several options available to provide supplemental lift. The more common options include;

- On Demand Aircraft Charter
- Fractional Ownership
- Jet Cards
- Interchange Agreements
- Dry Leases

On-Demand Aircraft Charter

Aircraft charter is also known as on-demand charter, Part 135 charter, or air taxi flights. There are approximately 2100 air charter companies in the U.S., offering charter in a variety of aircraft from single-engine piston aircraft and small twin engine turboprops to light jets and large intercontinental jets. Charter companies are certificated and regulated by the Department of Transportation (DOT) and hold an air carrier certificate – the same authorization granted to airlines, but with operations authorized under Part 135 instead of Part 121 of the Federal Aviation Regulations.

Charter companies that hold an air carrier certificate meet the Federal Aviation Administration's (FAA) standards for on-demand aircraft charter companies. Most charter companies have adopted higher industry standards and subject their operations to third party audits in compliance with these standards.

Pricing

Charter is a great option to supplement your in-house flight department if you happen to have a charter company based nearby and your trips require departures from your home airport. Typically, charter operators base their aircraft at one location then quote their trips for the time the aircraft is away from that base. There are exceptions, as many progressive charter companies "float" their fleets, allowing for pricing based from departure point to arrival point (also known as "point to point" or "one-way" pricing).

The cost to charter varies depending upon the aircraft chosen, demand, geographic location and service provider. Some example base price ranges for flight charges only;

Turboprop	$1,100 to $1,400
Light Jet	$1,900 to $2,500
Mid Jet	$2,600 to $3,700
Super Mid Jet	$3,500 to $4,800
Heavy Jet	$4,200 to $7,800

Additional fees could include ramp or landing fees, overnight expenses, fuel surcharges, Federal excise tax, international fees and handling.

Aircraft charter is an especially good option for round trip flights, due in part to the pricing structure. Here are some examples of charter pricing for a flight for 3 passengers from Palm Springs, CA to Sacramento, CA in a Citation Encore for comparison purposes;

Day round trip

Flight Charges	$2500 per hour	2:31 hours	$6,284.90
Landing Fees	$200 per landing	1 landing	$200.00
Segment Tax	$3.70 per passenger/leg	6 passenger legs	$22.20
Federal Excise Tax	7.5%		$486.37
Total			**$6,993.47**

Overnight round trip

Flight Charges	$3637.50 per day	2 days	$7,275.00
Crew Overnight	$700 per night	1 night	$700.00
Landing Fees	$200 per landing	1 landing	$200.00
Segment Tax	$3.70 per passenger/leg	6 passenger legs	$22.20
Federal Excise Tax	7.5%		$613.13
Total			**$8,810.33**

One way flight

Flight Charges	$2500 per hour	1:19 hours	$3,291.67
Aircraft Positioning	$2200 per hour	1:12 hours	$2,640.00
Landing Fees	$200 per landing	1 landing	$200.00
Segment Tax	$3.70 per passenger/leg	3 passenger legs	$11.10
Federal Excise Tax	7.5%		$459.87
Total			**$6,602.64**

Weeklong round trip (two one ways)

Flight Charges	$2500 per hour	2:31 hours	$6,284.90
Aircraft Positioning	$2200 per hour	2:31 hours	$5,536.67
Landing Fees	$200 per landing	2 landings	$400.00
Segment Tax	$3.70 per passenger/leg	6 passenger legs	$22.20
Federal Excise Tax	7.5%		$917.13
Total			**$13,160.90**

Considerations

Whether charter is right for supplementing your in-house fleet depends on the answers to several questions;

Location	•Is there a charter operator within 100 miles of your desired departure?
Safety and Experience	•Does the operator run their operation at least as well as you run your flight department, with SOPs, an SMS, emergency response plan, etc.
Mission Requirements	•Does the local operator have the right aircraft in their fleet to fulfill the mission? •Do you require one way or round trip flights?
Insurance Coverage	•Does the operator have the right amount of liability insurance?
Comfort Factor	•Does knowing the flight crew and the people behind the company matter to you?
Cost Considerations	•Building a repeat business relationship with a charter operator will provide you with a preferred charter rate

If you plan to fly regular trips with a charter operator, you should ask if the operator will provide "block time" discounts for establishing a long-term relationship. The purchase of block time is identical to the purchase of a jet card, which is merely a marketing tactic to increase sales and promote the idea that the product is as easy to use as a debit or credit card.

Some charter operators will ask that you pay for the block of time in advance to secure your discounted rate. Only purchase block time from certificated air carriers, since brokers cannot guarantee you access to an operator's fleet. Ensure that your funds are placed into an escrow account, for your protection. Many operators will offer you block discounts without requiring a large upfront deposit or payment in advance, so check this option before making a long term commitment.

Using an Air Charter Broker versus Vetting a Charter Provider Yourself

Aircraft charter flights can be booked through a charter operator directly, or through a charter broker who acts as a middleman between you and charter operators. The major difference between an operator and a broker is that operators directly operate, manage and maintain a fleet of aircraft. Brokers act as an agent arranging charters with an operator on behalf of their client. Charter clients have direct access to any FAA certified operator; a broker is not necessary to book a charter flight.

Typically, a broker is paid by commission for their contribution that is added to the cost of the charter, although some brokers may charge their clients a direct fee. Charter operators have traditionally charged brokers a wholesale rate that equates to a 5% discount. Brokers then would add 5% to the cost of the charter, plus applicable taxes, so their final cost would equal the quote provided directly by the operator to a retail client. However, due to the introduction of heavily-marketed empty legs and one way flights that must move, brokers now have the ability to add a much higher mark-up to some flights.

It's almost impossible to tell the difference between an operator and a broker by looking at an air charter company's website. A broker's site will typically list a fleet page, just as a charter operator's page, even though a broker does not operate any aircraft. Look for a disclaimer at the bottom of the home page that states something to the effect of "Company X acts on behalf of its clients and serves as their agent. It does not own or operate aircraft; all charter flights are operated by FAA Certified Part 135 air carriers." This statement is a tip-off that you are looking at a website belonging to a charter broker, and not an actual charter operator.

The Department of Transportation has mandated that brokers be upfront about the type of business they operate. Brokers are required to clearly state on all promotional materials and in its contracts for flights that they don't own airplanes or operate the flights they book on behalf of their clients. The National Business Aviation Association recommends you only use the services of brokers that comply with the DOT's mandates.

Brokers will obtain quotes from multiple charter operators on your behalf and vet the companies chosen to meet your standards. One of the benefits to using a broker is that a broker will work with several different charter operators to find you the largest selection of aircraft and the best pricing. Be sure to emphasize that price isn't your only parameter!

Brokers have a responsibility to vet the charter operator, aircraft and pilots to be used on the flights they recommend to you. Make sure they are doing their job by asking for proof of this vetting. Most likely they will provide you with one of two reports; a PASS report or a CHEQ report, which both outline the damage history of the aircraft, the safety records of the pilots and the operator, and the experience and training for the flight crew. We'll cover these reports in more detail in our safety chapter. They should also provide you with the name of the operator so you know who has operational control of your flight.

You should know that brokers are not licensed and not regulated. No education is required to become a broker, nor is aviation knowledge a prerequisite. Anyone with a phone, fax machine and a nice website can set up shop as an aircraft charter broker. Serious due diligence is needed to ensure you choose a knowledgeable broker with an extensive aviation background. Unless you have a long established relationship with a broker you trust, you should consider using a charter operator who also acts as a broker. With this method you are using a broker whose activities on your behalf are regulated by the DOT and has the oversight of the FAA.

If you decide to choose to use a broker that is not affiliated with a charter company, you should consider choosing a company that is a member of the Air Charter Association of North America (ACANA). The brokerage firms who are members of ACANA have made a pledge to ethical business practices and offer a truly worthwhile service to their clients.

List of ACANA Members http://www.flyacana.org/memb.html

Alternatively, you can reference Wyvern's authorized brokers, who use Wyvern's PASS reports to check standards prior to each flight.

List of Wyvern Authorized Brokers http://www.wyvernltd.com/clients/wyvern-brokers/

Even some individual brokers at well-established brokerage firms could have a criminal record or history of fraudulent activity. Run the name of your potential broker through a Google search to see if the broker you are considering has a criminal past. You might be surprised to see that some brokers at well-known firms have felony records and/or have served prison time. NBAA members can search the archives of the Charter Availability Airmail list to learn more about any broker under consideration.

The best way to protect yourself and your company is to use a Department of Transportation-regulated and licensed aircraft charter operator, whose employees must pass stringent security, drug/alcohol testing as well as pass rigid background checks, or use an ACANA broker. A good broker will relieve you of the need to do much in-depth vetting of charter operators and provides a valuable service. An unethical broker can cause you a great deal of trouble!

Fractional Ownership

Fractional ownership involves the ownership of at least a 1/16th share of an aircraft, which normally equates to 50 hours of usage per year. Typically, fractional ownership programs are run by a management company under FAR Part 91K on a national basis. The large jet fractional programs in place today are managed by NetJets, FlexJet, CitationAir and FlightOptions. However, there are also smaller "regional" fractional programs that cater to small groups of users that begin or end their trips within similar geographical regions.

Fractional ownership is a great alternative for those flight departments that need to supplement their in-house fleets when cost is no issue and the flight department manager has limited time to spend on vetting supplemental lift providers. Fractional operations provide a consistent, reliable service on a large scale.

Fractional ownership should be considered when the company's travel demands require multiple aircraft flying at the same time, different sizes of aircraft for each flight, and mostly one-way flights. Also, if you need flexibility to change flight dates and times due to frequently changing schedules, fractional ownership is a great solution (exception – most fractional operators will not wait for you if you are late so advance notification must be given for changes to the flight schedule). Since the national fractional operators have large, diverse fleets, most fractional operators can provide you with an aircraft that will meet your exact mission.

As a depreciable asset, there could be tax advantages to owning a fractional share over using a fractional operator's jet card product, depending upon the company's situation.

Legal Documents

There are four documents involved in the acquisition of a fractional aircraft share.

Purchase Agreement

The purchase agreement presents the terms and conditions of the fractional sale. It includes the purchase price, delivery conditions, closing date, equipment, representations and warranties. It differs from other aircraft purchase agreements in that it includes provisions for the fractional program to repurchase the share at the end of the agreement period at a fair market value subject to a remarketing fee of approximately 7%.

Management Agreement

The management agreement outlines the details regarding the management of that particular share of the aircraft. It lists all of the management services that are provided to the share owner and the costs for providing such services.

Owner Agreement

The owner agreement is the agreement between the various fractional owners of the aircraft that relays that each owner owns a share of the aircraft and is individually responsible for his/her share of costs.

Interchange Agreement

The interchange agreement enables sharing of all aircraft managed by the fractional program.

Considerations

There are some considerations when using fractional shares to supplement your in-house fleet.

Restrictions during peak demand periods

Due to the number of shares sold in a fractional operators fleet, and the numbers of jet card holders that also fly on the fleet, there will be times where there is more demand than the fractional operator can accommodate. Fractional operators will contract with charter operators to help fill the flight schedule during high-demand, peak times. They may also issue restrictions such as longer call-out times or higher fees to fly on certain dates.

High costs

Fractional ownership is the most expensive of all the supplemental lift options available. In addition to the cost of the purchase of the share, expect a management fee, hourly operating fee, fuel surcharges and federal excise tax to be added to your monthly statement. For example, the costs for a 1/4 share of a Citation Encore, based on 200 hours of usage per year and not including the initial capital investment, would cost $30,000 per month for management fees, $1900 per hour for operating fees, fuel surcharges of approximately $600 per hour, and 7.5% tax. The total annual costs are just under 1 million dollars for only 200 hours of flight time in a light jet.

Residual Value

If your ownership period is five years, and the aircraft flies 800 hours per year, there will be 4000 more hours on the aircraft when your ownership ends compared to when you bought in. This significant accumulation of flight time on the aircraft will affect the residual value of the asset on your exit.

Remarketing fees

When you decide to exit your share ownership, you will be charged a fee to sell your share. This is normally called a remarketing fee and equals approximately 7% of the value of your share.

"Poaching" Issues

Certain providers have been known to convert in-house flight departments into fractionally-operated departments overnight. If you purchase a share, are you opening the door to future issues with an over-eager salesperson? If this is a concern for you, your best bet in finding a supplemental lift options is to pursue a dry lease or interchange agreement.

Because of the capital outlay required, long term investment and significant expense, fractional ownership has declined in popularity in recent years. Fractional operators are evolving their product lines to better meet consumer's needs, offering jet card programs to access their fleets as well as on-demand charter.

ARG/US has compiled a great resource that compares features and pricing structures for each of the national jet fractional providers, as well as turboprop fractional operators PlaneSense and Avantair. http://www.aviationresearch.com/FreeData/FraxUtilityMenu/FraxPrograms.aspx

Jet Cards

The term "jet card" was devised to create a marketing product for what equates to block on-demand charter. Jet cards can be purchased for "blocks" of prepaid hours of occupied flight time on the fleets of fractional and on-demand aircraft charter providers.

Some of the more well-known jet card products allow the consumer to purchase blocks of time on a particular operator's fleet. However, several charter brokers have developed jet cards that are good for travel on a multitude of operators.

Most jet card products begin at 25 hours of usage and start at just over $100,000 for a light jet. For fractional jet cards, this prepaid amount does not include federal excise tax or fuel surcharges.

Jet cards are sold by fractional operators, charter operators and charter brokers. We recommend only purchasing a jet card from an operator for flights on their own fleet. If you purchase a jet card from a broker who does not operate their own fleet, we recommend you use an escrow account to ensure your funds are secure.

Escrow Accounts

Any agreement to purchase a block of hours or a "jet card" from a charter broker or operator should include the stipulation that prepaid funds be deposited into an escrow account for the benefit of both parties, with a cancellation policy that allows you a 100% refund of funds deposited at any time. Many clients have been burned by jet card companies not forwarding the deposited funds to the charter operator. In one particular case, the charter company that flew the flight sued the passengers for payment when the broker did not forward the funds the passengers prepaid for their travel.

Pricing

Jet cards are a good option for one way flights, due in part to the pricing structure. Here are some examples of jet card pricing (fractional operator under Part 135) for a flight for 3 passengers from Palm Springs, CA to Sacramento, CA in a Citation Encore;

Flight Charges	$4600 per hour	1:19 hours	$6,056.67
Taxi	Additional .1 each end	:12	$920.00
Fuel Surcharges	$600 per hour	1:31 hours	$910.00
Segment Tax	$3.70 per passenger/leg	3 passenger legs	$11.10
Federal Excise Tax	7.5%		$591.50
Total			**$8,489.27**

Interchange Agreements

Interchange agreements are a simple and effective way to cover your supplemental lift needs. An interchange agreement allows two (or more) companies that each own aircraft to swap time on an hour-for-hour basis. This can be a very desirable situation for those flight departments that know each other and how the other operates.

The three largest benefits to using interchange agreements are as follows;

Convenience
After the initial agreement executed, all future involvement is limited to scheduling and keeping track of hours flown as part of the interchange agreement.

Cost Advantages
Assuming both aircraft being used in the interchange are similar, the costs remain virtually the same whether flying on your in-house aircraft or that of your interchange partner.

Comfort
Peace of mind in knowing the pilots and aircraft that are flying your principals and company employees.

Here are some issues you should know about using the interchange agreement;

- Because the interchange is for an hour-for-hour swap of time on the aircraft, you can't make allowances in the number of hours swapped due to size differences between the aircraft covered under the interchange agreement. For example, you can't trade two hours on a Citation for one hour on a Gulfstream. But, you can charge an additional fee that makes up the difference in ownership, operational and maintenance costs between the two aircraft.
- Each company can provide the aircraft to the other with fuel and flight crew (wet) or without (dry).
- Interchange agreements require independent oversight to ensure that each party is billed for the correct services and to ensure that usage occurs evenly on an ongoing basis.
- The IRS deems this a commercial operation (even though the FAA does not) so Federal Excise Tax of 7.5% (FET) is applicable for the fair market value of the flight.
- Since the IRS considers this a commercial operation, you can take the commercial fuel tax credit for fuel used on flights under your interchange agreement.
- Only large multi-engine turbojet-powered aircraft (weighing over 12,500 lbs.) can do interchange agreements per 91.501.

NBAA members can use NBAA's blanket exemption to do interchanges with piston aircraft, turboprops, helicopters and jets weighing less than 12,500 that are excluded by 91.501.

Before swapping time through an interchange, your legal counsel should draft a formal interchange agreement between both parties. An interchange agreement is considered a lease, so it is subject to 91.23 truth-in-leasing requirements (see sidebar).

NBAA has a great resource to help you set up an interchange agreement http://www.nbaa.org/member/admin/options/Operating-Leasing.pdf. You should always consult legal advice for review prior to using any agreement you create yourself.

FAR 91.23

Truth-in-leasing Requirements

The written lease agreement must be mailed to the FAA Aircraft Registration Branch within 24 hours of execution. A copy of the lease must be carried onboard the aircraft, and the local Flight Standards District Office must be notified at least 48 hours before the first flight.

Dry Lease

Dry Leasing refers to an aircraft owner providing an aircraft to a lessee. The lessee provides its own flight crew or contracts for a flight crew from an independent third party, such as a management company or crew leasing company, and maintains operational control over all flights. The lessor cannot dictate the source of the flight crew. Dry leasing is not a commercial operation so FET does not apply.

Dry leasing can be set up on an hourly basis structure or on a monthly (full time) basis. Dry leasing on an hourly basis is a great option for those flight departments that want to occasionally use another flight department's similar aircraft without doing an interchange or swap of flight time, especially if the lessee has pilots qualified in the type of aircraft be leased. Monthly dry leases are great options to fill a longer term need without having to purchase an additional aircraft.

Dry lease agreements are also subject to the FAA's truth-in-leasing provisions stated in FAR Part 91.23. The regulation requires the written lease to be mailed to the FAA Aircraft Registration Branch within 24 hours of execution. A copy of the lease must be carried onboard the aircraft, and the local Flight Standards District Office must be notified at least 48 hours before the first flight. These reporting requirements do not apply if either the lessor or the lessee is a commercial (Part 135) air carrier.

Key Considerations

Many flight departments find that their needs for supplemental vary. Perhaps an interchange agreement with the flight department based across the flight works to cover most of your needs, but occasionally you need an aircraft with different capabilities. Never lock yourself into having to use just one option, as a variety of options can provide for both safe and cost-efficient support operations.

If your needs are always the same, then pick a provider you feel you can trust. Develop the relationship so the operator understands your needs and provides the services you require.

There are several considerations you should review while vetting the initial list of operators on your short list.

Aircraft

Knowing the aircraft that can fulfill your mission is second nature to you as a flight department manager. So, when vetting a supplemental lift provider, you'll want to ask the questions specific to that operator.

Do you have aircraft in your fleet that fit our mission requirements?

Determine whether the operator has aircraft that will accomplish your mission. Consider range, speed and performance criteria (short runways?).

What amenities are available on the aircraft?

Determine which amenities are important to your passengers. For flights longer than an hour, a private enclosed lavatory could be important. Some turboprops and light jets, for example, have only a curtain separating the lavatory facilities from the cabin. Not the way to start off that important inflight meeting! You may also need inflight satellite phone service or wireless internet capability. If a meal is to be served on a longer flight, inquire about the availability of a cabin server for aircraft that are super mid-sized or larger. They are not always provided automatically so if this is important to you, be sure to request it.

What is the year of manufacture of the aircraft and when was it last refurbished?

We recommend aircraft be newer than a manufacture date of 2000, preferably with a recent refurbishment. Older aircraft that are well-maintained can also be good choices but require more in-depth vetting to ensure they look their best. Ask for photos of the aircraft's interior and confirm that the photos were taken within the last year.

If possible you should view the aircraft in person before making a final selection. You can tell a lot about not just the aircraft, but also the company, by the way this viewing takes place. Is the

cabin set up as if this were an actual flight? Flowers, overhead lighting, air conditioning, music, carpet/rug at the entry way stairs, etc. set up for a viewing all signify the importance the company will place on your passenger's flight experience.

Experience

The experience of the company should be reviewed closely. Who runs the company? Is it experienced and well-known professionals with an extensive background in aviation, or are the people running the company former bankers, investment brokers, etc.? While having a strong management and financial background is important, it is imperative that experienced aviation professionals have operational control of the company to ensure that safety is never compromised to save money. Look for higher-level aviation certifications, such as NBAA's Certified Aviation Manager status, as a symbol of commitment to quality management and professionalism from the people running the organization.

Safety and Security

The FAA standards are generally considered to be bare minimum standards in the private aviation industry. There are four industry standards which have been widely adopted by fractional (part 91K) and charter (part 135) operations; the IS-BAO standard, various ARG/US ratings, the Wyvern Standard, and the ACSF Industry Audit Standard. Third party reports from ARG/US and Wyvern cover the experience level of the pilots, their training currency, and safety data regarding the operator and aircraft.

IS-BAO – International Standard of Business Aircraft Operations

IS-BAO stands for "International Standard for Business Aircraft Operations". This code of best practices was introduced by the International Business Aviation Council (IBAC) and has been widely adopted as the worldwide gold standard for business aircraft operations. It is similar to the ISO-9000 quality management standards in the manufacturing industry. The IS-BAO has been endorsed by the National Business Aviation Association (NBAA) as well as multinational organizations worldwide. Audits are not provided by the organization, but rather by independent, third party auditors who are certificated by the International Business Aviation Council.

ARG/US – Aviation Research Group/U.S.

ARG/US rates operators based on information provided by the operators and data obtained by the FAA regarding pilot experience. They search and provide to the vetting party information regarding pilot certificates, aircraft registrations, FAA operating certificates, accidents, incidents, enforcement actions, ownership and management. This information is provided in a report they call the TripCHEQ report (Trip Charter Evaluation and Qualification program). Using this

information, ARG/US assigns each operator a safety rating: Does Not Qualify (DNQ), Gold, Gold+ or Platinum. ARGUS is the only company that provides a rating system.

The Gold rating is provided to those operators that provide ARGUS with the basic information needed to complete a TripCHEQ report. The Gold+ rating is granted to those operators that are IS-BAO Stage 1 registered or meet the Gold+ standard. Platinum, the highest rating, is reserved for operators that have passed an on-site safety audit with ARG/US to the Platinum standards.

Wyvern

Unlike ARG/US, Wyvern doesn't use ratings to quantify an operator. Instead, Wyvern indicates whether an operator meets the Wyvern Standard, which includes an enhanced set of safety criterion which includes minimum flight hour experience requirements for pilots.

The PASS (Pilot and Aircraft Safety Survey) report allows you to set the criteria for the information you want to know for each flight. You can customize the PASS report to reflect whether your flight meets the Wyvern Standard, regulatory standards, or a fully customized set of criteria that you determine. This is a very flexible system and helps flight department managers easily gather the information that is most important to them as they vet providers.

ACSF – Air Charter Safety Foundation

Despite its name, the Air Charter Safety Foundation's industry audit standard applies to both charter companies and fractional programs. The standard was created in response to the multiple audit requirements being placed on auditors, with the goal of being an independent standard for the private jet travel industry. The ACSF does not provide the auditors for its own standard, similar to IBAC's IS-BAO standard, and thus avoids the appearance of a conflict of interest.

Does the operator have an active Safety Management System in place?

Whether or not your flight department subscribes to the value of a Safety Management System, there's no question that your supplemental lift provider needs to believe in the premise of the SMS. With an active SMS in place, the documentation is in place that shows you the company is actively mitigating risk in its flight operations. This participation makes it easy for you as a flight department manager to determine the quality of operator you are considering.

The easiest way to verify that the operator under consideration has an active Safety Management System in place is through IS-BAO registration. The complete list of registered operators, international and U.S. can be found here http://www.ibac.org/is_bao/registered-operators.

Do the pilots attend annual simulator based training?

Most insurance companies require annual simulator-based training, so this question doesn't help to differentiate the training received by pilots for different operators. Most pilots train at the same two training facilities, depending upon the jet being flown; Flight Safety International or CAE Simuflite. However, you'll learn a lot about the company if the operator shares that the pilots attend specialized emergency/survival training, emergency upset recovery training automatic defibrillator training, airborne weather radar training, or specialized safety training that isn't required by an insurance company or FAA standard.

Insurance

Depending upon your company's structure, you may have a risk management department, in-house legal counsel or possibly the CFO who handles insurance coverage for your fleet of aircraft. In one-aircraft departments, you probably handle insurance matters yourself. Your company likely has a minimum insurance requirement for when your company's personnel travel by private aircraft. In absence of a formal policy, we recommend the following guideline;

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Minimum Liability Insurance Requirements

Light Jets	$50 million
Midsized Jets	$100 million
Super-mid and Heavy Aircraft	$250 million

When using a supplemental lift provider, you should request that the operator name your company as an "additional insured" on their insurance policy. Provide the operator with the following information;

Full legal name of company and legal address

Any specific wording requested

For example; *Acme Corporation, its respective subsidiaries (and subsidiaries thereof), parent companies, directors, officers, employees, customers and guests (hereinafter referred to collectively as "Desert Jet"). Coverage with respect to the interest of the additional insureds shall be primary without right of contribution by any other insurance available to such additional insureds.*

The operator's insurance carrier will provide you with a certificate of insurance that verifies the aircraft to be used is covered by insurance. The certificate will state the amount of liability coverage and the name of the policy holder.

Pilots

The experience level of the pilots used by an operator is a crucial area to research. When vetting an operator to provide your supplemental lift, you should develop a minimum standard that you feel is acceptable. The best starting point is to use the hiring standards you have implemented for your own flight department.

Here is a sample standard that you can modify to use as you vet the pilots initially assigned to the flight you secure through a supplemental lift provider;

Equipment	Flight Time	Pilot in Command	Second in Command
Heavy Jet	Total Time	4000	3000
35,000+ lbs.	Pilot in Command	2500	500
	Jet Time	1000	500
	Multi-Engine	3000	1000
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually
Mid-sized Jet	Total Time	4000	2500
20,001-35,000 lbs.	Pilot in Command	2500	500
	Jet Time	1000	500
	Multi-Engine	3000	1000
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually
Light Jet	Total Time	2500	2000
Less than 20,000 lbs.	Pilot in Command	1500	250
	Jet Time	500	100
	Multi-Engine	1000	500
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually

Service

What other services does the operator provide? All charter, fractional and jet card companies provide catering and ground transportation, but what if you have special services that are needed? Smaller companies with whom you develop a one-on-one relationship will outfit the aircraft with your company's personalized items, such glassware with your company's logo, or your passenger's favorite magazines, to help your passengers feel as if they are in their own aircraft.

Another area to consider is the availability of a company representative when you need assistance. At what hours can a representative of the company be reached? Are your needs addressed timely no matter the time of day or night? At large companies you'll no doubt reach a customer service professional any time of the day or night. At smaller companies, you'll likely have the cell phone number of your assigned representative who knows your exact preferences and needs.

Other considerations include the level of customer service training that the employees of the company receive. The quality of customer service training ranges from minimal in-house training that provides for a basic service experience to the level of Ritz-Carlton hospitality training that is anticipatory. You'll know on your first phone call to an operator which level they aspire to achieve.

The Marketing Myths

Marketers have developed scare tactics and rules of thumb to help convince consumers that their private travel product is the best solution for everyone and all travel needs. However, that's not always the case. Here are some of the top myths we've come across.

Myth #1: *If you buy a fractional share or jet card product, you'll only fly on that operator's fleet*

The truth is that many fractional operators contract out with charter companies to fly their clients when they don't have enough availability in their own fleet, or when the repositioning time is too high to pick up a client. EJM, for example, has 50 approved charter vendors comprised of approximately 500 aircraft.

Myth #2: *Fractional and jet card companies use only newer aircraft which are safer*

This could also be interpreted to mean that older aircraft aren't as safe. The vendor standards agreements of the largest of all fractional operators state that aircraft they secure through a charter to fly their clients could be up to "25 years of age". So, if a fractional operator says the aircraft meets its standards for its clients, then older aircraft are not less safe than newer aircraft. Many aircraft charter company's fleets are newer than the fleets maintained by fractional providers. What matters most is whether the aircraft has the required equipment, if the aircraft is well-maintained, and if the aircraft undergoes regular refurbishment.

Myth #3: *Pilots for fractional operators are better trained or more experienced than charter pilots*

The truth is that the experience level of jet charter and fractional pilots is virtually interchangeable. Every pilot in the private jet industry trains in flight simulators at facilities such as CAE Simuflite and FlightSafety International because insurance companies require it, so the training is essentially identical. Charter companies tend to be smaller, which means better oversight of pilots. If a Director of Operations notices a pilot needs more in-depth customer service training at a small company, immediate intervention can occur. At a large company with thousands of pilots, small transgressions can go unnoticed for months by upper management.

Myth #4: *Charter companies aren't as safe as fractional companies*

Most charter companies provide supplemental lift to fractional providers and therefore must meet that operator's safety standards. Many charter companies are required to meet multiple standards and participate in multiple audits in order to offer back- up lift for these providers. If the charter operator is meeting the same standard as the fractional company, and has fewer accidents/incidents, they are at least as safe, if not safer.

Myth #5: *Charter brokers provide additional services that charter operators don't*

Fractional operators, charter operators and charter brokers all provide the same concierge services, from catering, ground transportation, and other travel-related services. What differs is the quality of service offered by individual providers.

Myth #6: *Part 91 good; Part 135 bad*

Many corporate pilots flew for Part 135 charter companies early in their careers and have preconceived notions about what charter entails for them as a pilot. In order to survive the recession of the economy, today's Part 135 company has evolved into a safety-oriented and marketing-savvy organization. Many start-up charter companies have been formed by pilots that see a new way of running a business that focuses on taking care of the client and provides quality of life for their employees. In addition, marketing has changed, from what used to be a focus on selling, to now emphasizing meeting the client's needs, whatever they may be.

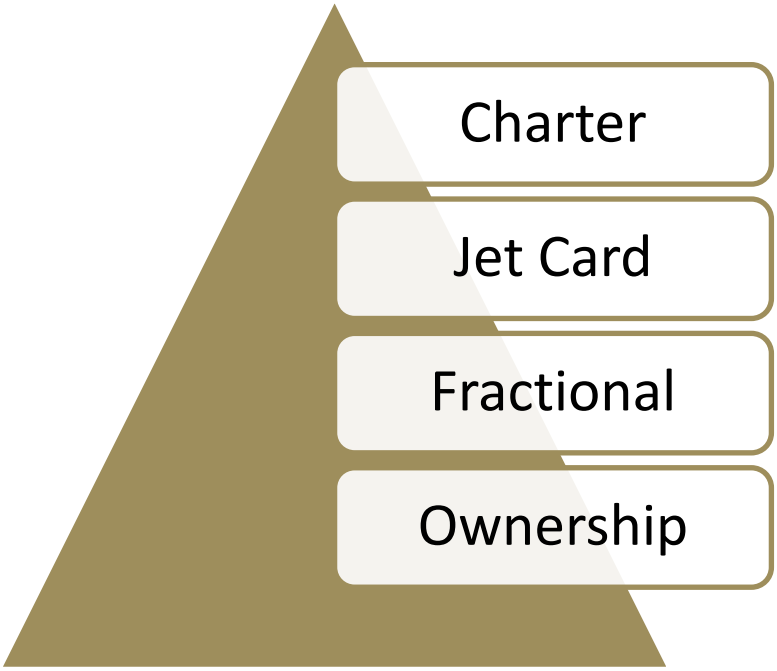
And the biggest marketing myth of all;

When considering the options available to fulfill your supplemental lift needs, you might read recommendations in supposed "expert reports" that claim you should choose between the various options available based on the number of hours per year you anticipate needing the service.

Sales people try to oversimplify what is really a more complicated question – "Which supplemental lift option is best for my company?" Trying to answer this question with as little confusion as possible has led to the creation of a guideline used by sales people that works in certain circumstances. In fact, there are very few travelers whose needs are met with this formula.

The guideline states one should choose between aircraft charter, jet cards, fractional and whole aircraft ownership based on a simple formula of hours flown per year. The rule of thumb goes something like this;

- If you fly privately less than 25 hours per year, you should charter
- If you fly privately between 25 to 50 hours per year, you should buy a jet card or block charter
- If you fly privately between 50 and 200 hours per year, you should use fractional
- If you fly privately more than 200 hours per year you should buy your own aircraft



To make a fully informed decision, you need to consider many more variables than just the number of hours flown per year.

For example;

If your company has a need for 20 hours of flight time per year, but the flights all originate in different cities, your needs will conflict with the recommendation to use charter, especially if your local charter operator doesn't have aircraft based in all of these different cities. **Fractional (ownership or jet card) may be the better choice in this situation.**

If you fly 100 hours per year, but most trips originate from one airport or region and come back within a day or two, the guideline recommendation that fractional is the best choice won't make the best fit for you either. Fractional shares or jet cards will be too expensive as their model is based on higher, "one-way" pricing. **Charter (block or jet card) may be the better choice in this situation.**

Of course there are numerous other considerations as well, such as the convenience factor, tax benefits, availability, and so on that can't possibly be considered within the confines of a one-size-fits-all guideline.

Don't be fooled by the myth that your needs can be met by a standard guideline. With a thorough, in-depth analysis of your company's additional lift needs and how supplemental lift providers can help, you can create a plan of use that meets your requirements and provides a valuable service for your flight department's users.

About Denise Wilson and Desert Jet

Denise Wilson is the President and founder of Desert Jet, a business aircraft management and charter company based in the Palm Springs area. Her experience leading a part 91 flight department, with the need of affiliates to utilize the company aircraft under 91.501, led her to develop a supplemental management alternative for these users and eventually an independent business model consisting of a wide range of private aviation travel options.

Denise is qualified by the National Business Aviation Association as a Certified Aviation Manager (CAM). She has approximately 6800 hours of flight experience with type ratings on the CE-500, CE-525s, B-737, G-1159a, BAE-125, IA-JET and SF-340.

As an advocate for business aviation, Denise has been published, featured and quoted in publications such as Twin and Turbine Magazine, AutoPILOT Magazine, Aviation for Women Magazine, Palm Springs Life, and FlyCorporate. She was a finalist in Entrepreneur Magazine's Entrepreneur of 2010 award contest, in the Emerging Entrepreneur category.

About Desert Jet

Desert Jet is a full-service aviation management company that provides clients with expertise in acquiring, operating and generating revenue using private jet aircraft, and offers on-demand charters in its fleet of jet aircraft. Desert Jet was one of the first jet charter providers in the world to become IS-BAO certified, exceeding a global industry safety standard. The company is operated and managed by National Business Aviation Association (NBAA) designated Certified Aviation Managers. Desert Jet is certified as a Women's Business Enterprise by the Women's Business Enterprise National Council (WBENC) and ranked as the nation's fastest growing aviation company on the 2011 Inc. 500 list.

DESERTJET

Contact us if you have any questions, corrections, or additions to the information we have provided here. Additionally, should you need assistance in vetting your supplemental lift providers, you can reach Denise directly at denise@desertjet.com.

Vendor Operating Standards and Qualifications

Desert Jet
56850 Higgins Drive
Thermal, CA 92274
Phone (800) 381-JETS FAX (760) 406-9700
www.desertjet.com email charter@desertjet.com

Documents

All Vendor Operators for Desert Jet must be "approved" by Desert Jet's Director of Operations prior to being utilized by a Desert Jet flight.

Please return the following documents to Desert Jet as part of the process to qualify your company as an "Approved Vendor".

1) Signed Vendor Operating Standards Agreement (see last page)
2) Copy of Operator's Air Carrier Certificate
3) Copy of Operator's Operations Specification D085
4) Insurance Certificate (annotated as described below).

Insurance

Please provide a valid and current certificate of insurance that includes each of the following provisions;

Desert Jet included as an additional insured for not less than the following amounts;

Lights jets – 50 million liability

Midsized jets – 100 million liability

Heavy jets – 250 million liability

Please include on the certificate of insurance the following language;

Desert Jet, LLC, their respective directors, officers, employees, customers and guests (hereinafter referred to collectively as "Desert Jet"). Coverage with respect to the interest of the additional insureds shall be primary without right of contribution by any other insurance available to such additional insureds.

Coverage includes a waiver of subrogation in favor of Desert Jet, LLC. Desert Jet must receive no less than 30 days prior notice of any adverse material change which affects the interests of Desert Jet, LLC or cancellation of the policy.

Requirements

Operational

Each operator must meet at least one of the following minimum requirements;

- ARG/US Gold, Gold+ or Platinum
- Wyvern PASS Ready, Recommended or Wingman
- IS-BAO Registered Stage 1, 2 or 3

Please provide Desert Jet operations with confirmation of aircraft in position one hour prior to scheduled departure (90 minutes for international departures). Provide flight following notifications within 15 minutes of the aircraft departing or landing.

Flight Following Contacts: (760) 399-1000 or email charter@desertjet.com

Security

- Air carriers operating on behalf of Desert Jet must ensure that customer privacy is maintained at all times. At no time will passenger names or contacts be shared with any third party provider, such as fixed base operators, ground transportation companies, etc.

- When the aircraft is not in direct view of the flight crew, the aircraft shall be closed and locked. All doors and hatches that cannot be locked shall have tamper evident seals applied when the aircraft is unattended or not being directly observed by a crewmember.

- No unauthorized persons shall be allowed to board the aircraft. Authorized persons are limited to passengers and staff required for operational or maintenance purposes.

- Unaccompanied baggage or cargo is not allowed on the aircraft. All baggage must be positively identified by the passengers prior to being placed on the aircraft.

- Crewmembers are required to inspect the aircraft externally and internally prior to the arrival of passengers or cargo. After the inspection is complete, a crewmember must remain with the aircraft or maintain continuous visual surveillance of the aircraft until the passengers are boarded and the door is closed.

Accident or Incident Immediate Response

Immediately upon notification of an accident or incident involving an aircraft with Desert Jet clients on board, notify Desert Jet at (760) 399-1000. If unable to reach a flight ops representative, please contact Desert Jet Director of Operations at (909) 969-3139.

Please be prepared to fill in as much of the following information as possible without delaying the initial phone call:

- Date and time of occurrence
- Aircraft registration and type
- Departure and scheduled arrival airport
- Accident location (nearest airport or town)
- Description of event
- Status
- Total number of well, injured, fatal
- Number of passengers
- Number of crew
- Injuries to third party if applicable
- Current emergency assistance on site
- Operator main point of contact name, title and phone number

Vendor personnel are restricted from making statements to anyone outside of government authorities, vendor management or Desert Jet management concerning an incident or accident without the express permission of Desert Jet.

Vendor personnel are required to coordinate with Desert Jet before any public statements or next-of-kin notifications are made.

Pilot Experience and Training

Pilots must meet the following flight time experience minimum requirements for all flights performed on behalf of Desert Jet. All pilots must be full time employees of the operator for trips flown on behalf of Desert Jet.

Equipment	Flight Time	Pilot in Command	Second in Command
Heavy Jet	Total Time	4000	3000
35,000+ lbs.	Pilot in Command	2500	500
	Jet Time	1000	500
	Multi-Engine	3000	1000
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually
Mid-sized Jet	Total Time	4000	2500
20,001-35,000 lbs.	Pilot in Command	2500	500
	Jet Time	1000	500
	Multi-Engine	3000	1000
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually
Light Jet	Total Time	2500	2000
Less than 20,000 lbs.	Pilot in Command	1500	250
	Jet Time	500	100
	Multi-Engine	1000	500
	Time in Type	250	100
	Certificate Grade	ATP	ATP
	Medical Certificate	First Class	First Class
	Simulator Training	Required Annually	Required Annually

Operational Guidelines

Pre-departure

- Verify all catering is present and correct no later than 45 minutes prior to scheduled departure time. Catering must be loaded onto the aircraft and presented in the best possible manner prior to passenger arrival.
- The following items at a minimum must be provided as on-board snacks and beverages; individual water bottles sufficient for each passenger on board the flight, sodas, hot coffee, tea, sugar and creamer, assorted snacks, mints, gum, ice for cold drinks.
- Aircraft must be powered by a GPU or APU no later than 30 minutes prior to the scheduled departure time. Cabin lighting, temperature controls and amenities must be set by this time.
- Complete all assigned pre-departure duties no later than 30 minutes prior to departure.
- One crew member must wait inside the FBO for passengers, and the other wait planeside, during the last thirty minutes prior to the scheduled departure time, or updated departure time, whichever occurs first, to allow for the passenger's preferred means of arrival to the aircraft.

In-Flight

- Crew should check on the passengers once on the climb-out to ensure their needs are being met in regards to comfort (temperature for example). Check in with passengers a second time during cruise.

Arrival

- On the in-range call to the FBO, do not announce the passenger's information (name or company) over the radio when checking on the ground transportation.

Vendor Operating Standards Agreement

Trip Date _____

Operator Name _____

Aircraft Registration Number _____

Type Aircraft _____

We, the operator, have read, understand and will comply with the Desert Jet Vendor Operating Standards when providing service to Desert Jet clients. Operator agrees to not distribute business cards, company marketing materials or any items that would solicit business for the operator. Operator agrees that pricing, fees, and information regarding the client must be held in strict confidence and never discussed with any persons or passengers. Operator will be held liable for any damages resulting from the careless or negligent acts of the above.

Pilot in Command Name _____

Second in Command Name_____

Contact number for Crew _____

By completing this form, the operator agrees that they meet the specified requirements as set forth in the Vendor Operating Standards and Qualifications manual.

Operator Representative Signature _____

Please fax required documents to (760) 406-9700 or email to charter@desertjet.com

PASS

Pilot + Aircraft Safety Survey

Trip summary: 11-Oct-2011 PALM SPRINGS, CA, US (KPSP) — SACRAMENTO, CA, US (KSAC)

Passenger(s): 3
Arranged by: Desert Jet
Confirmation code: 5031950 (Valid 07-Oct-2011 until 16-Oct-2011)
Safety standard: Industry Standards

Operator

Certificate holder name: Desert Jet
Certificate: 1DJA318M
Address: 56-850 Higgins Dr., Thermal, CA, US
Contact information: (760) 399-1000 – charter@desertjet.com – http://www.desertjet.com
Wyvern audited: N/A

Aircraft

Aircraft registration: N812DC
Type: CE-560-E (Citation Encore)
Serial number: 560-0541
Seats: 8
Year: 2000
Liability insurance limit: $50 Million

Pilot in Command (PIC)

Name: Denise E. Wilson
Certificate type: ATP
Applicable type rating: CE-500
Medical: Class 1
Last medical date: 31-Jul-2011
Total time: 6965 hrs
Total PIC time: 6745 hrs
PIC time in type: 1548 hrs
Total time in type: 1648 hrs
Total time last updated: 03-Oct-2011

Second in Command (SIC)

Name: Alan R. Wilson
Certificate type: ATP
Applicable type rating: CE-500
Medical: Class 1
Last medical date: 31-Jul-2011
Total time: 10577 hrs
Total PIC time: 8955 hrs
PIC time in type: 909 hrs
Total time in type: 985 hrs
Total time last updated: 03-Oct-2011