

## Business-jet sales soar as airline service sags

**PRODUCTIVITY GAINS OFFSET RISING FUEL COSTS, COMPANIES SAY**

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While the nation's major air carriers are cutting flights, grounding planes and laying off workers to combat soaring fuel prices, one area of flying appears to be largely immune: business jets.

In fact, despite the fuel cost surge, sales of these planes are booming. One study shows the number of business jets expected to be built in the next 10 years will double from the previous decade.

Anecdotal evidence suggests that companies continue to lease or charter these jets for more efficient travel. Time is money, and businesses are more than willing to pay sizable sums to avoid the headache of commercial travel that critics contend is growing even worse with its long lines, lost luggage and flight delays.

Just ask 82-year-old Reid Dennis, a longtime Silicon Valley venture capitalist who is chief executive of CTP Aviation, a jet-charter operation at Hayward Executive Airport. In May, Dennis - who already was charging more than \$2,000 an hour to flit business people here and there - told his customers he'd have to raise his rates to cover fuel expenses.

Even so, "they're continuing to fly and our planes are busy," Dennis said, adding that a big reason cited by his clients is "the airlines are just so

unpleasant."

Some Silicon Valley companies whose executives use business jets - including Hewlett-Packard, Apple, Google and Oracle - declined to discuss the subject in detail. But Intel spokesman Chuck Malloy acknowledged that a big reason the Santa Clara computer-chip maker uses them is because it makes more sense than relying on the airlines.

Operating from Mineta San Jose International Airport's Jet Center, which serves business jets in an area separate from the main terminals, Intel's leased jets fly 30 times a day, shuttling its employees between California and its offices in Oregon, Arizona and Washington.

Although the company's jet-fuel costs are up about 50 percent from a year ago, Malloy said Intel considers the jets worth the increased price. Besides driving to and from major airports, "if you factor in load, off-load, security, standing in lines, delayed flights, etc., etc., you add a significant amount of time," Malloy said.

He declined to discuss how much Intel spends on the jets but noted that "last year we saved about 200,000 hours of productive time" by using the planes.

The Jet Center also offers a number of amenities business people appreciate, from limousines and gourmet catering to lounges and "snooze rooms" for pilots.

"Boy, they've got showers and conference rooms. . . . You could live over there for a week," said Mineta San Jose International spokesman Rich Dressler.

Like many such facilities, the Jet Center also doesn't require executives to endure the rigors of airport security checks, so business people can zip in and

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out quickly. That sort of convenience contributes greatly to the popularity of business jets.

"One of the main reasons for the current popularity of business jets has to do with the difficulties and delays of scheduled airline travel," according to a study last year by Forecast International, a Connecticut consulting firm that tracks the airline industry. "No traveler likes to spend time waiting in airports, but business executives especially resent it, seeing it as lost productivity."

The Forecast study estimated that 14,978 business jets would be built from 2007 to 2016, more than twice the number produced from 1997 to 2006. That estimate hasn't changed, despite the recent run-up in fuel prices, according to Raymond Jaworowski, Forecast's senior aerospace analyst.

For many companies, using a business jet "kind of enhances the prestige in the eyes of everyone - the media, your shareholders, your potential customers," he said.

San Carlos-based XOJet, which lets executives lease or partly own jets, exemplifies the study's projection.

In May, the company announced it had obtained \$2.46 billion in new financing to expand its operations. Moreover, according to Peter Fuchs, an XOJet vice president, "within the last month we had the busiest flying week we've ever had."

It isn't cheap, though.

According to the most recent annual report it filed with the Securities and Exchange Commission, Cupertino-based Apple spent \$776,000 last year reimbursing its chief executive, Steve Jobs, for using his jet on company business.

Buying a jet is even more expensive. Prices range from about \$1 million for a modest model to \$75 million or so for an airliner, such as the Boeing 737, which some companies reconfigure to fit their needs.

Still, for many executives, "because you want private, fast, convenient jet transportation, price really isn't an obstacle," said Richard Aboulafia, an aviation analyst with the Teal Group in Virginia.

Not everyone welcomes the trend.

Two Washington, D.C., organizations, Essential Action and the Institute for Policy Studies, claimed in a study last month that business jet operators benefit from a disproportionate share of federal airport-improvement money and don't pay enough taxes for air traffic control.

"While flying has become more costly, uncomfortable and degrading for the general public, the growing class of the ultra-rich are flying high in the comfort of their own aircraft," the study concluded.

The analysis was denounced as unsubstantiated by groups representing private jet operators, including the Alliance for Aviation Across America, which said the report underestimated the taxes paid by private aircraft operators.

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