

A Guide For Management

Business Aircraft Utilization Strategies



Including Results from a J.D. Power and Associates Survey of Companies Operating Turbine-Powered Aircraft in the United States

B R E A T

The idea usually begins with an executive hunch, triggered by a combination of realizations: that being there, face-to-face, is an absolute necessity. That time is acutely limited and increasingly valuable. That there are genuinely efficient and productive ways to travel, and lesser options. And that the market penalizes the slow and rewards the quick.

At the end of the 60s, about 2,000 companies in the United States operated their own aircraft. Since then, the number of business aircraft operators has grown by a factor of 5.5, while airline business travel has grown by a factor of less than 3. Today, more than 11,000 companies and organizations operate more than 17,000 turbine-powered aircraft. More than 30,000 additional companies operate piston-powered aircraft and thousands more charter.

Surveys reveal that they do so primarily to save employee time. A minute-by-minute analysis of passengers traveling weekly on business

aircraft vis-à-vis public alternatives often reveals the restoration of a month annually to their lives — time formerly lost “in transit” and previously just chalked up to, well, business.

A month. Just what do you do with an “extra” month? Get a leg up on the competition? Spend it with your family? And what does an “extra” month or so every year mean over a decade, or a career, or to a marriage?

Just how does your company value employee time?

Passengers, even infrequent ones, also cite better industrial security, maximum control over safety options, the best possible control over efficient, reliable scheduling, the projection of a positive corporate image, a reduction in post-trip fatigue and a commensurate increase in post-trip productivity, a boost to entrepreneurial spirits and an end to worrying about luggage, lines, waiting, connections, center seats, upset babies and odd food.

In all, there seems to be a natural synergy between the increasing demands on a company's two most important assets — people and time — and the use of business aircraft. Today, on Main Street in Corporate America, company aircraft increasingly are just an ordinary business travel option, appropriate for certain trips and less so for others better taken via the airlines, train or car. And even though they may appear to be expensive (and, superficially, by most every conventional measure, they are), a deeper analysis reveals that business aircraft are often *the least expensive way to travel when all costs and benefits are considered.*

This is not a large typo. Junior employees have been known to suggest otherwise, but can all 11,000 CEOs really be that dumb?

H L E S S

Despite the judgment of those keen CEOs, the actual value-added contributions of company aircraft are not well understood, in no small part because they are difficult to measure. What's more, the full potential of company aircraft often goes unrealized because, like parenting, little formal training precedes the startup of operations. Consequently, most managers just learn as they go. It's not their fault; they are experts at other things. Creating "business aircraft utilization strategies" usually isn't one of them. Maximizing return on company investments, however, is.

So given the magnitude of the typical corporate investment in aircraft and people, the subject's probably worth a little further study.

Consequently, on the following pages you will find illustrated some of the business practices of several of the most successful organizations in the world, and the insight of decades of their experience. You also will find the results of a J.D. Power and Associates survey of the utilization strategies employed by some of the companies operating turbine-powered aircraft in the United States. In size and flavor, these examples run the gamut. But they all have discovered how business aviation can benefit their stockholders, their customers and their employees, even those who will never see their aircraft.

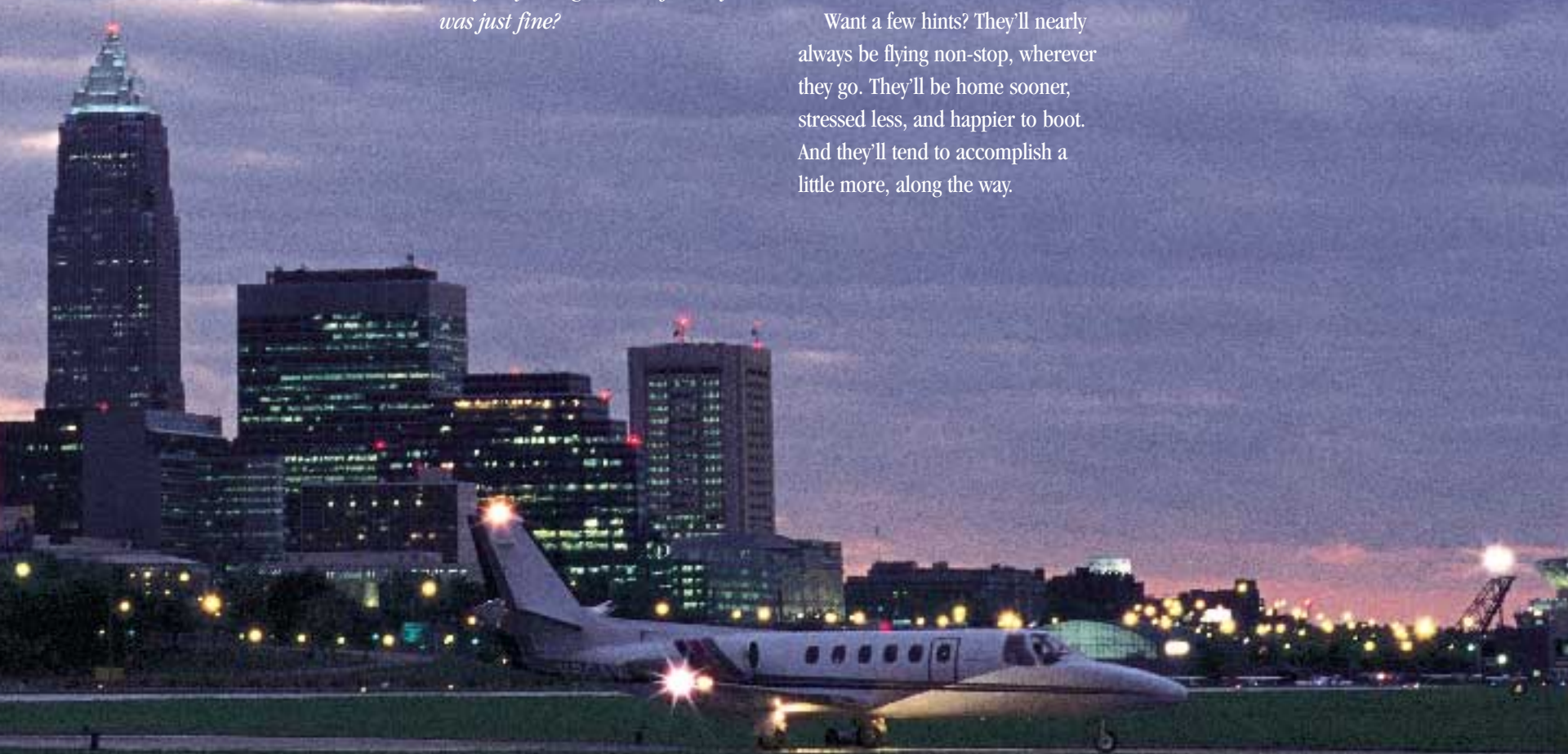
Remember when the fastest way to make a copy was with carbon paper, long distance phone calls actually were considered special, travel by air was still a dress-up affair and a first class postage stamp meant your letter would be there in a few days *and everybody thought that a few days was just fine?*

Those days are gone. E-mail, voice mail, fax, FedEx, video conferencing, pagers, cell phones, SAT phones, cable, ATMs, the Web, coach/business/first via 28 hubs and who-knows-how-many spokes, downsizing, right-sizing — "The Pacific Rim" for heaven's sake — all rule the day.

It's funny, but even with the quantum advances in communications technologies over the last century, we keep relearning that there often is no more efficient or effective way to communicate with people than by talking to them, face-to-face, and then using all our senses at full gain. That means showing up, in person. To get there, more and more companies have discovered an obvious solution.

Can you imagine, in the years ahead, that competition will slow? Who will best manage the breathless pace of life in this new age? And who will master it?

Want a few hints? They'll nearly always be flying non-stop, wherever they go. They'll be home sooner, stressed less, and happier to boot. And they'll tend to accomplish a little more, along the way.



Utilization strategies combine ways how and reasons why companies operate aircraft into best practices to help guide their use as an aid to the conduct of business.

Although 18 utilization strategies are illustrated below, additional facts and tactics can be found within the generic *Strategy Notes* included with each profile. Of course, every organization should actively study its transportation needs and consider the best and highest use of business aircraft to meet them, including, perhaps, these:

4 Key Employee Travel



How the right person in the right place at the right time can change everything.

12 Point to Point



Often the greatest gains in employee performance can be found going door-to-door.

6 Customer Trips



The full court press: Importing customers or prospective customers to boost sales.

14 Humanitarian & Charitable Flights



In which a good corporate life is about more than just making widgets and billing hours.

8 Connection-Maker



Particularly for international travel, connecting with the airlines as an integral part of a larger transportation system.

16 Customer Visits



Going to the mountain: Trips made to your market, to listen and learn, on their turf.

10 Management Teams



One of the most popular uses of business aircraft. Because information of the highest fidelity is best gathered and disseminated face to face.

18 Attraction & Retention of Key People



Stress reducer. Morale booster. Talent retainer. How important is it to get your employees home tonight so that they can be more productive tomorrow?

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Sales & Marketing Blitzes

Multi-day, multi-city trips by your company's most effective sales and marketing teams.

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The Office Enroute

Two missions, really: 1) getting from A to B and 2) accomplishing something along the way.

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Corporate Shuttles

Scheduled air service – of company-defined frequency – between company facilities or customers.

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Market Expansion

Access can enable market expansion. Business aircraft can enable access and change company attitudes about what's possible.

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Charter Revenue Flights

The (surprising) charter option: Making your aircraft available for charter revenue flights can significantly lower ownership costs.

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Production/Engineering Teams

Leveraging a lean workforce: What to do when you (wisely) have one group of engineering and manufacturing wizards and work enough for two.

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International Travel

Market boundaries? What market boundaries? The world as supplier and marketplace.

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Customer Service

The corporate fire truck: When a customer calls with a problem, how soon can you respond?

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Personal Safety & Industrial Security

Perhaps the most important use of business aircraft is maximizing personal safety and peace of mind.

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Multiple Uses

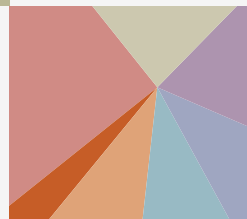
The rule at most companies: A remarkably versatile transportation option. Or, almost anything's doable with a flying pickup truck.

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Next Steps

Several additional utilization strategies and some follow-up steps to consider them all.

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J.D. Power and Associates Survey Results

413 U.S. companies weigh in on their utilization strategies and practices with some surprising results.

A Day in



the Life of Gary Isom

Just another rainmaker with a PhD, Gary Isom is one busy guy. Lafayette, Indiana, is not a major airline hub. It does, however, host a world-class university and a top-notch aviation department.

“My typical day begins at 5:30 in the morning. If we’re going to Washington, we’ll be off the ground shortly after 5:45 and arrive in Washington at 8:00 and spend a full day working on Capitol Hill. We’ll be back at National Airport at 5:00 in the afternoon and back in Lafayette at 6:00. We’ll usually have some kind of evening business ongoing at the university, work or receptions or something with the student or alumni organizations and occasionally with the Board of Trustees. I usually get home at about 9:30. In a normal week, it’s not unusual for me to put in 65 hours for a great university.”

Does the pace of this guy’s life sound familiar?

Meet Gary Isom, a neurotoxicologist who works as Purdue University’s vice president for research and as dean of the Graduate School. No moss growing here, Isom has spent the past 20 years at Purdue as a researcher, teacher, administrator, grant solicitor and government affairs representative. That means lots of travel, often several times a week. Millions in research funding – from government, corporate and private sources – is best garnered face to face.

“We have the same travel needs as any business, even though we’re an educational organization and a foundation. We’re a \$1.2 billion plus company with 18,000 employees within the Purdue University system. This is a big operation,” he says.

Although Isom typically flies with several Purdue staffers, in many cases he is the key employee aboard. If he unexpectedly comes down with the flu, the flight often would be postponed, a decision common to key employee flights at many companies.

“We spend a great deal of time in Washington. My office essentially is both here in Indiana and in Washington, almost on a daily basis, so we have a lot of travel to Washington as well as all around the country. If you consider student financial aid, research grants and contracts – we have a lot of contracts with the Federal government – they probably are in excess of \$160 million a year. I need to actively manage those contracts. In addition, a lot of the Federal government agency functions are decentralized, so for instance you’ll have the Department of Energy’s laboratory business all over the country – all over the world – so that entails travel, just like any business, wherever it’s needed,” he says.

“Our aviation department has allowed Purdue to become more efficient in a business sense,” Isom continues. “If I want to take a commercial flight to Washington, it’s not impossible to do it in one day, but I end up spending my day in airports rather than meeting with people. I don’t see how we could do what we do without this operation. It makes us more efficient. Time is valuable to everyone at Purdue, and everybody

appreciates the efficiency of aircraft and what they contribute to the university.”

But can the use of business aircraft ever be justifiable for just one person?

“Of course,” says a CEO unaffiliated with Purdue. “It depends on the business circumstances. It depends not only on the value of the trip, but the business demands on that person on either side of the trip. Yes, there are times when it is entirely appropriate to do that. It obviously is an expensive way to travel but it may be that the benefits outweigh the costs. That’s where business judgment comes in.”

Tom Carney, a professor at Purdue, adds that multi-day, multi-city trips are common for senior university officials, and that their performance depends in large part on their efficiency. “We can all live with five airline trips with connections per year. What people don’t realize is that some of our senior people will fly three or four times per week. There are some that go every day. You can’t expect senior people who work 16-hour days to perform without this resource. That’s the difference.”

Isom adds, “I think we’re very conscious of costs. Everybody who flies is conscious of the costs. The way I view it is that you have to weigh what we accomplish and what we get out of it. And that actually outweighs the cost by quite a bit.”

Strategy Notes

- Key employees can be anyone of any rank who is indispensable to a task, not just the CEO.
- Out-and-back day trips are increasingly common. “We leave as early as 4:30 in the morning, whatever it takes. We very much prefer getting up early to arriving home late or having to go the night before. It’s common to go out in the (early) morning, be back in the afternoon, pick up several hours in the office, and be home for dinner at 6:15,” said one CEO.
- Business aircraft commonly are used by senior managers to:
 - extend management control; Bring operational areas to a manageable size
 - facilitate company, supplier and/or customer meetings in multiple cities per day
 - make practical and routine the daily on-site supervision of facilities in different cities
 - reduce, sometimes dramatically, travel time to multiple locations vis-à-vis public transportation
 - facilitate emergency meetings, including those involving the Board, partners and customers
 - efficiently reach remote locations
 - meet deadlines
 - strengthen relationships with customers through shared private time enroute to a destination
 - facilitate rapid action on mergers and acquisitions, particularly of companies in remote locations
 - serve as backup for cancelled airline flights or to make airline connections
 - accelerate facility openings; truncate cycle times

Masters of the Game

Based in Grand Rapids, Steelcase repeatedly has raised the bar in the office furniture industry while raising the practice of customer trips to an art form.

You're a customer shopping for office furniture. Steelcase sells same, and offers to pick you up in your home town, fly you to Grand Rapids for a day to learn about office design strategies (and all their nifty products), and return you home in time for dinner — no fuss, no muss, no bother.

Will you go?

Most do. One who benefits from a positive answer is Rick Yeates, vice president and general sales manager for the company and someone not disinterested in the practice of customer trips. Steelcase's aircraft are used for little else.

"Historically, we flew customers to Grand Rapids to tour our factories and see how well we make office furniture," he says. "But in the last four or five years, that's changed dramatically. We are now bringing folks up to see new products, sure, but most importantly we show them how we — Steelcase — are using our space to achieve our business results.

"The other big reason for coming to Grand Rapids is to meet our experts in design, ergonomics, what's going on with 'The Office of the Future,' those kinds of things."

Their products are there, their people are there and their facilities are there to show how things work in practice, since the company serves as its own guinea pig. Consequently, Steelcase is in a constant state of visible evolution, not just in their product lines, but also in their application.

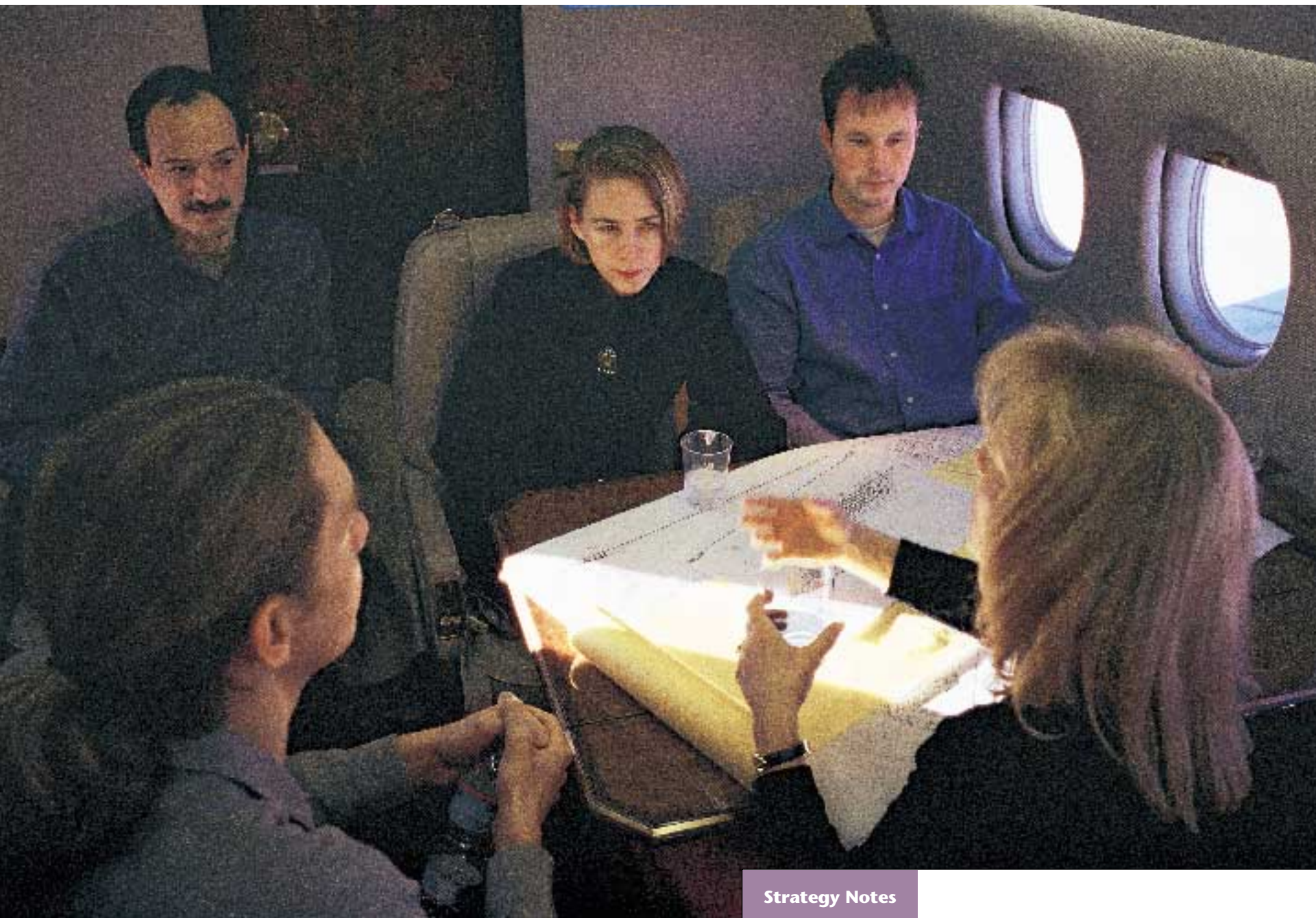
The emphasis has changed as well. "When I started 17 years ago, our tag line was 'Quality Office Furniture,' which is what Steelcase is all about. But, today, our aspiration is to trans-

form how people work. We first need to understand what their business needs are, whether they are trying to improve their speed to market, innovation, collaboration, throughput, whatever."

That emphasis has changed how Steelcase sells. "Each customer visit is unique. We do not have a standard tour," Yeates says. "It's customized based upon what the customer needs and what we want to show them. Usually it starts off with a welcome by a Steelcase corporate officer, thanking the customer for their time and also trying to gauge what their issues are. And then usually we spend upfront time really honing in on what their objectives are. And then, based upon that, they can go to various settings, see how our people work in them — the different alternatives, in our living laboratory.

"But it's more than that," says Yeates. "When you spend a day or two with people, through all kinds of settings, breakfast, having dinner, studying office space, flying back on the plane together, you're cementing relationships, and relationships are at the core of what we do. It's what's important. They get a chance to know you better, understand your company, and understand what you're trying to accomplish — and we get to understand them."





Strategy Notes

■ The practice of transporting customers can:

- be used to pick them up, bring them to company facilities, meetings, cultural, entertainment or sporting events and then return them home as quickly as is practical, often on the same day
- provide an opportunity to build relationships, ease communications
- include connections from/to scheduled airline flights
- help those in need to restore service by moving their personnel and equipment
- improve customer access, in both directions
- be used as a courtesy to correct for a company-induced delay
- engender goodwill
- facilitate approvals for the delivery of products or services
- facilitate customer contract signing

Warning: Customers can become conditioned to expect a level of service that includes transportation. This can be particularly disadvantageous to non-flying competitors.

Afterwards, customers often request that their higher-ups reprise the experience. “They’ll say, ‘Our executives need to see this first hand.’ We had one customer that came back four times in four weeks with four different levels of executives, all on our planes.”

Their success rate – the number of tour-takers who eventually buy – is about three in four.

Little of this would happen without Steelcase’s flight department, says Yeates. “There is no doubt that we would not be able to get the number and quality of people to come to Grand Rapids without our aircraft. In the last year alone, we’ve been able to

get 75 CEOs to Grand Rapids. That’s because we usually can pick people up early in the morning, spend the day in Grand Rapids, and get them home in time for dinner. Otherwise, they have to connect through Detroit or Chicago, and they’re not going to do it.

“I think it’s because time is a precious commodity today. People have work/life balance issues. You’ve got a lot of single parents, you’ve got to think about childcare, all those kinds of issues, and that makes it more and more difficult for people to travel. The easier we can make it, the more accommodating we can make it, the better the track record,” Yeates says.

One Small Spoke

News Flash: Business aircraft landing at hub airports often are feeding passengers to the airlines as one small but integral spoke in a larger transportation system.



Ah, the glamorous world of business aviation. The passengers on this flight, from San Antonio to DFW, were enroute to connect with an airline flight to Puerto Rico. All the usual San Antonio-to-DFW airline flights were sold out, so the company plane made the connection possible.

Keith Manning (right), senior vice president for corporate business development for the H.B. Zachry Company, a construction firm based in San Antonio, was aboard this day, along with eight others, enroute to one of their international projects.

"I ride on the airlines probably an average of two to three days a week," he says. "I belong to all the airline clubs." Manning estimates that he spends the other half of his travel time on company aircraft.

"The airlines are good for longer trips, cross country, to the hubs of big cities or international travel. Generally, I prefer our aircraft because I can leave when I want. We go to the nearest airport, we can do business enroute and you can go and pick up partners or clients – there are some real advantages there," he says.

But sometimes, he travels on both in the same day. "We have projects that are in fairly remote cities where the frequency of airline connections is minimal. I have used our aircraft to get to our projects in St. Charles, Louisiana, Baton Rouge, Corpus

Christi, Amarillo – places that are a little far afield. We'll go there for a half-day meeting or so and then hop on the corporate plane and go to the nearest hub and catch a commercial flight to New York or the West Coast for a two- or three-day meeting. This meshes the strengths of both our aircraft and the airlines, where you can do some fast meetings in remote locations, then get to a hub, and then get out on a longer trip.

"Getting on the company plane is nice and easy but it doesn't make sense all the time. Frankly, I would rather fly a 767 internationally than our jet. I mean, on the 767 you can get up and walk around. I suppose that people who don't fly private aircraft have this glamorous picture of people eating caviar and drinking martinis at 50,000 feet with pretty blondes, but





that cabin gets kind of small when you're in there for five hours. Flying business class on a major carrier generally is more comfortable. But I don't really care that much how I get there. Whatever makes the most sense.

"What business aviation does is give managers additional flexibility in meeting the demands of their schedule. My schedule is our client's and our project's. I wish I were in a job where I planned where I wanted to go, when I wanted to do it. But that's frankly not the case. My schedule is generally dictated by customers who I need to see, projects I need to visit, so I have to remain pretty flexible.

I use our aircraft, or the airlines, or our aircraft and the airlines. Whatever works."

For Manning, the business aircraft versus airline decision is made based upon cost, the number of passengers involved, the urgency of the trip and the comparative time it's going to take to get to the final destination. "It's usually a quick decision, driven more by the location, schedule and the numbers involved in the meeting rather than any complex cost analysis. It's practicalities," he says.

Which is why, sometimes, company aircraft become small spokes in a larger hub-and-spoke system.

Strategy Notes

- The use of business aircraft to augment airline travel is equally common at both ends of a trip, for employees and customers.
- Connections to international airline flights are particularly common, as are connecting to long airline flights from communities without any scheduled airline service.
- Business aircraft can facilitate hub flexibility – the ability to choose among several airline hubs to secure the most efficient schedule for the passengers.
- Airline flights that are cancelled, booked or otherwise unavailable can trigger the use of business aircraft to enable a connection.
- Business aircraft can rescue passengers who miss airline connections.
- Long layovers can trigger business aircraft use, as can a schedule emergency.
- Helicopters are frequent connection-makers, particularly in areas of high population density.

A Bit of Sam's Legacy

It's just after dawn at the Rogers, Arkansas, airport. Inside, the passenger lounge (replete with cinder block walls, *Sam's Choice!* soda machines and linoleum floors) is bustling with merchandising experts, buyers and financial analysts holding cups of coffee in one hand with overnight bags and sales reports in the other. All have red and white company ID cards hanging from their necks. And in case anyone forgets why they're there at that hour, a plastic-numbered sign high on one wall reminds them of the previous day's stock price.

Welcome to Wal-Mart Aviation. The giant retailer, founded by Sam Walton in 1962, today operates 3,000 stores in the United States. To manage them, there are no regional offices, only the Bentonville headquarters a few miles

John Bisio is one of nearly a million Wal-Mart Associates, a frequent passenger, and one of about 10,000 Associates (give or take) who call Bentonville home. "We have a need to keep in touch with our customers and our Associates," he says. "We use business aircraft to find out firsthand what's going on in our stores. For us, being in the retail business, trying to study everything from our customer's needs and wants to our competitors, it's just essential for us to get out in the field and determine that firsthand. Aviation is the most time-efficient way for us to do that. It certainly saves us money from the standpoint of not having to maintain regional offices and also from the standpoint of not having to rely on commercial travel schedules available to us out of Northern Arkansas."



Sam Walton understood how best to effectively manage a nationwide chain from, of all places, Bentonville, Arkansas.

to the west, which is home to a unique and guarded corporate culture that has had more than a few successes since "Mr. Sam" opened his first store almost 40 years ago.

Back at the lounge, pilots round up passengers. Then there's a brisk walk out to the planes, baggage is stowed and they go. More than 100 passengers will launch out in 20 different directions (including Knoxville, in the trip seen here) on a busy morning. Most will be on the road for a few days and then return, and not always in the same aircraft.





Strategy Notes

- Management team travel is the most common use of business aircraft.
- Management teams have a substantial aggregate hourly value to their employers.
- The combined costs of air services, employee travel time (door to door), and other trip expenses (such as hotel, meals, rental cars, etc.) often compare favorably to airline travel between second-tier cities or rural locations.
- When the value of employee time is considered along with the value of productive time enroute and non-business hours away from home (family time), the comparison of business aircraft travel versus public transportation often becomes problematic.
- Some progressive companies have or are installing conference facilities in corporate hangars to facilitate off-site meetings.
- Corporate hangars also are being equipped with transient manager offices which can be used for private conversations, study, or sending and receiving e-mail.

Anybody can be sitting next to you on a Wal-Mart plane. “You’ll see a buyer sitting next to our CEO. It just depends on where you need to go. There’s only one class, and everybody pretty much takes care of their own,” Bisio says.

Once there, they try to get an idea of how a store looks, seeing what’s changing. “We have stores which sometimes are unique to a neighborhood. We’re monitoring shopping habits and customer patterns. We’re constantly fine tuning the retail process,” he adds.

And that process is going global. “As our company continues to expand, our need for business aviation will only grow. That’s certainly reflected in Wal-Mart International’s growth, expanding operations in Canada, Germany, Brazil, Argentina, Mexico, Korea, China and most recently with major acquisitions in the United Kingdom,” Bisio says. Most are reachable – non-stop – via business aircraft from the Rogers Airport.

One can’t help but think that Sam Walton – a pilot who routinely flew between Wal-Mart stores around the

country and also used a bird’s eye view to scout new locations – would have been tickled at the thought of Rogers as an international airport. “Mr. Sam was a huge proponent of business aviation,” Bisio says. “That’s been handed down to his son, Rob, who is our current chairman and a real proponent of our aviation group.”

A billboard-sized blow-up of Mr. Sam sitting in a Wal-Mart plane hangs in one hangar in Rogers, perhaps reminding those who see it that, like all Wal-Mart Associates, they’re standing in a bit of Sam’s legacy.

The Shortest Distance...

Camp Hill, a suburb of Harrisburg, Pennsylvania, is headquarters for Rite Aid, which operates over 4,000 neighborhood drug stores in 30 states, many of which are morphing to include easy access, expanded parking, full-service and drive-through pharmacies, one-hour photo finishing, express mail service, convenience foods, and expanded cosmetics departments.

What do helicopter operators seem to know that others don't?

Unfortunately, Camp Hill, from whence all these innovations and renovations are managed, is centrally located smack dab in the middle of the Northeast United States and a logistical hike from almost everywhere else. And nearby Harrisburg also has yet to rise to major airline hub status, ranking 232nd nationally for scheduled air service frequency.

So Rite Aid uses a helicopter to enable senior managers to move rapidly from door to door. That begins right outside headquarters' front foyer. With

a heliport immediately adjacent to HQ, an ordinary 20- to 25-minute drive to Harrisburg International Airport is only a 20-second walk to the company's heliport. Once aboard, for comparison's sake, door-to-door helicopter versus drive times from Camp Hill are: Washington, DC: 35 vs. 140 minutes
Baltimore: 25 vs. 90 minutes
Philadelphia: 35 vs. 150 minutes
Pittsburgh: 1 hour vs. 3 hours.

Martin Grass is Rite Aid's chairman and chief executive officer. "It's been tremendous for us in terms of our flexibility because we have to travel so much in the Mid-Atlantic and the Northeast," he says. "You don't realize how very inefficient it is to drive to an airport, fly in an airplane, land at an airport and drive to your destination — until you've flown door to door in a helicopter.

"For instance, for trips to Manhattan, the drive alone from the destination airport in Teterboro, New Jersey, where most corporate airplanes

land, into New York City can be done in the same time it takes us to fly directly from our Camp Hill offices to Manhattan. Using the helicopter, we easily cut that trip in half."

The Rite Aid helicopter is used routinely by senior managers for travel the company considers cost effective. The average trip carries two to three people.

"I have a large briefcase," Grass says. "I do a lot of reading. We on purpose didn't put a telephone in the cabin. Flying aboard the helicopter is time that you have to get away from the telephone and interruptions and work through papers. I think it's a complete waste to have a phone in a helicopter because, let's face it, most of the flights are only 30 to 40 minutes. You can give up a telephone for that long. Besides, frequently, if we're going to New York to meet with the bank or investment bankers, three or four of us will discuss everything all the way up and all the way back non-stop.

"We'll visit suppliers and pharma-



ceutical manufacturers that are all over New Jersey, many of them with their own helipads (and their own helicopters), so instead of a two-, two-and-a-half-hour drive, we have a 35-minute flight.

“Our helicopter is IFR equipped and we always fly with two pilots, so we’re not limited by the weather. If you’re creative and your pilots are innovative, you can always find spots to land. We’ve been able to develop a real network of places to land and, consequently, *very* few of our flights begin or end at airports. We try to stay away from airports. That’s our choice of last resort. I mean, that defeats the whole purpose of a helicopter,” he says.

They avoid flying into airports unless their business is directly adjacent to the airport. “In Washington, DC, we go to the South Capitol helipad. In Philadelphia, it’s a helipad on the Delaware River. Of course, in New York City, there are the three helipads. We frequently find hospitals in communities that will let us land – that’s the case in Baltimore. Most people don’t even know that they’re there.”

Rite Aid’s new distribution center, heliport included, is in northeastern Maryland along Interstate 95 (which parallels the East Coast). “Our distribution management team flies there every other week from Harrisburg in about 25 minutes. It’s in a rural area and, the way the roads are, if they drove down, it’d be more than a two-hour drive down to Baltimore, then around the Beltway, and then up Interstate 95,” he says.

Grass points out that although the helicopter is slower than an airplane, cruising “at about 170 mph day in and day out, not only does it beat the car, it beats the airplane. I’m a big airplane user, and this beats the airplane,” he says, “because of the point-to-point advantage.

“Corporate aviation and our helicopter in particular are major contributors to the success of our business. They’re lifesavers. We’ll probably fly that helicopter between 500 and 600 hours this year. Conservatively, that’s probably saving us between 1 and 1.5 man-hours per passenger for every hour it flies,” he says.

Grass says that he has been surprised by the helicopter’s capabilities. “I did not believe that it was going to be as good as it has turned out to be. It’s performed better than my expectations, and I had high expectations,

especially if you can find a close-in landing spot. If you land near people, there’s just a huge, huge savings of time. That’s what’s so tremendous about it,” he says.

Strategy Notes

- Helicopter operators are unusually loyal advocates for the business value of their aircraft. Their unique capabilities translate into a unique degree of allegiance.
- Over certain distances, between certain points, helicopters are widely regarded as the most efficient way to travel.
- Corporate helicopters are popular and useful for bypassing ground traffic congestion, particularly around rush hours in metropolitan areas, which, in some cities, occurs for much of the day.
- Many corporate helicopters are multi-mission craft, working as a personnel transport at some times and as a utility worker at others to facilitate aerial surveys, air-to-ground photography, electronic news gathering, economic development, corporate shuttles, connections with corporate or airline aircraft, and as pipeline and power line patrols.
- Their unique advantages are dependent upon the availability of landing sites adjacent to their passenger’s ultimate destination.
- Door to door, helicopters can easily best fixed wing aircraft flying airport to airport over short to medium distances.
- What are generally considered higher per mile operating costs (versus fixed wing aircraft) can be offset by greater utility value and employee time savings.
- The shortest distance between two points (and the most efficient way to travel) is a straight line, which usually can be traveled only by flying via helicopter.



Jo Anne Goes to New York



**In which a good corporate life is about
more than just making widgets or billing hours.**

You might expect a big company like Ford to have an airplane or two, and you'd be right. Henry Ford realized the value of business aviation back in the 20s when the company purchased its first airplane. Since then, Ford's fleet has flown more than two million flight hours and 11 million passengers.

Today, Ford operates many aircraft for many missions. Among them, two Ford airliners fly shuttle service between company facilities throughout the Midwest. Still others carry company management teams to meetings – a fairly typical use, but sometimes with a twist. Although four senior

executives are flying this morning to a New York City suburb from Detroit, there are two additional passengers aboard today who will have little effect on Ford's bottom line.

Jo Anne Grenier is a cancer patient from Detroit. A slight, 48-year-old with a bright, outgoing personality, Grenier was diagnosed with breast cancer four years ago and has been fighting ever since. Although Detroit offers excellent medical resources, Grenier's unique treatment protocol requires her to travel regularly to Sloan-Kettering in New York.

And for someone who's easily fatigued, getting there itself can be debilitating. "Most people don't realize it, but cancer is expensive!" Grenier explains. "We're not wealthy people and I *have* to go to New York. If we weren't on this flight, we'd still get there. Maybe we'd drive, but that would take 14 hours and be, well, not fun. So for me, this service has been a lifesaver. I can't say enough about it."

The service
is a unique one.
Founded in 1981

by two cancer survivors who personally understood patient travel needs and saw opportunity in the empty seats on business aircraft flights, the Corporate Angel Network (known as "CAN") has since flown more than 11,500 patient flights via more than 550 companies involved in the program.

The process works like this: Participating companies relay the itineraries of aircraft with available seats to CAN's New York headquarters where – using proprietary software aptly named “Matchmaker” – schedules are compared against patient travel requests. All requests go directly to CAN, which handles all screening and logistics, largely eliminating workload for the participating company.

Once there's a schedule match and arrangements are made, the patient simply shows up at the airport like any other passenger. CAN passengers, who cannot have any inflight medical needs, typically travel with a companion. And apart from courteous hellos upon arrival and best wishes upon departure, patient interaction with the company's “regular” passengers is minimal – both carry dissimilar preoccupations, which engender mutual respect.

So, what's in it for Ford? In an ordinary business sense, perhaps very little. Surprisingly, most CAN participants (Ford included) shun publicity for their efforts. But in a greater sense, Ford the company, and Ford the family, does a good deed of immense value for no other reason than it's the right thing to do.

“We save lives,” CAN founder Jay Weinberg says quietly, with some measure of pride. Jo Anne Grenier certainly thinks so. And lest you think CAN's angels are anything but mission driven, Jo Anne's flight home to Detroit three days later was courtesy of General Motors. Good Samaritans, it's nice to know, can be found anywhere.



Strategy Notes

- The humanitarian and charitable use of business aircraft is surprisingly common and, by design, largely unpublicized.

It includes:

- rescue and restoration efforts (i.e., shipping food, medicine, clothing) following natural disasters affecting company facilities or personnel
- transportation of employees or customers or their families because of a medical condition, accident or death
- community service, such as flights for local chambers of commerce
- emergency organ, blood and serum transfers
- volunteer transportation for Red Cross representatives and National Guard units
- animal or embryo transport (such as eagle eggs)
- relief efforts in areas of civil strife
- providing transportation to those affiliated with the company who are indigent
- flying one of the teams in the Little League World Series

- The following all offer free flights for good causes:
Corporate Angel Network – (914) 328-1313
Make a Wish Foundation – (800) 722-WISH
Miracle Flights for Kids – (702) 261-0494

The Voice of the Customer

To make the machines that make hot dogs and sausages –
machines that run morning, noon and night for years at a clip –
you have to visit your customers and learn from them, on their turf.

In Des Moines, they make the machines that make hot dogs. Townsend Engineering makes industrial strength food processors. David Hamblin (below, second from left), a pleasant gentleman with an English accent, is Townsend's director of engineering

and the chief designer of many of the company's machines.

Today, Hamblin and a team of engineers are headed out from Des Moines to Mississippi to check on a newly installed model. A checkup, Hamblin reports, can be an all day affair or just

a few hours. Today's customer visit took half the day.

"We visit customers quite often. We need to see our machinery at work in their plant. That can take two or three days if we're working on the machine, adjusting and so on. Often



it's just two or three hours, spending time with the machinery, making adjustments or minor changes to it, service as well as observations, or adding improvements. We'll also visit our suppliers to watch the other end of the chain," he says.

"Our customers usually are appreciative that we've come. We'll see the plant manager and spend time with the maintenance manager. They want to talk. They very often will come back to me with their ideas. Some of the things are not always practical but some of them are," he adds.

The company's aircraft has made many of these trips doable, particularly to remote sites, Hamblin says. "We are able to take more people than we might ordinarily have been able to. For instance, we had a trainee with us, who had just joined the company in the prior week. We were able to get him in front of the customer to see how our machines performed. It was a great opportunity for him. He got a lot of benefit from it, and it was a great education for him. He was pretty impressed with the installation."

The CEO of another company also flying customer trips has coined the term "VOC Tours" (which stands for *Voice of the Customer*) for the practice of customer visits. Like Townsend, he routinely sends a team to meet customers, including a field service technician manager, the VP/general manager, the manufacturing manager, the customer service manager, several manufacturing lead people, electrical lead people and assembly lead people.

"They review with the customer all the technical aspects of how the installation goes, how the equipment performed when it was delivered, what field service problems they are experiencing, what's the history of what's going on with the machine," the CEO says. At the customer's end, the president, the general manager, the director of production and the director of operations typically all are present.

"They spend the whole day together, just kind of going over what happened, what's going on now, and what they would like to see in the future. We're doing more and more and more of that," he adds. "Each time we're going out, our usual people are there, but we're bringing more and more of the engineering department and manufacturing people on these trips so that we can expose them to comments like, 'Well, here's what happens when you do something like this in manufacturing, and here's how it impacts the customer, and here's how they feel about it,'" he says.

And everybody wins. "You know, what happens up here, and I've seen it happen, is that you get guys who are doing their thing up in engineering or manufacturing or whatever and if they're never out in front of the customer in his face looking at what is going on, they just never understand what works for them and what doesn't.

"Getting our people, at all levels, down in front of the customer is so important. The customer likes it because it allows them to relate at different levels; they're just not talking



to a salesman. In turn, it gets us to relate to the customer and say, 'Wow. They're a good company. They're working hard. I can see where they are struggling with the way this works. Maybe we can modify it or maybe change the way we support them.' It just really narrows the gap between you and your customers. That's what that plane does. Hands down, if we didn't have that plane, that would not be happening."

Strategy Notes

- Many companies regard their fellow employees as customers. Management visits to them are just as important as regular "customer" visits. Aside from those, customer visits via business aircraft can be used to:
 - attend customer-sponsored events, such as a grand opening
 - service more than one destination in a day
 - efficiently increase face-to-face contact with the customer, relationship building, interaction between people. "They think more highly of us when they see more of us."
 - facilitate a lean senior staff: "We have a lean management so it has to cover a wide area quickly." Consequently, business aircraft can facilitate senior management participation in selling
 - enable a team approach, rather than a one-person attempt. "If there is a new business opportunity that requires a team visit we dispatch them out on that call."
 - make customer visits possible into remote areas where airline schedules are not conducive to timely travel
 - demonstrate capability; establish or reinforce an image
 - support a customer in trouble. "Being there sometimes helps."

The Group



Stan Richards has built a company culture that is egalitarian, open and creative and includes a company plane. Consequently, he gets – and keeps – the best and the brightest.



Ask Stan Richards how many people work with him at The Richards Group, a Dallas-based marketing communications company, and you'll get an instant answer. Today, it's "472."

You get the sense over time that he probably knows most of them. Tall and lanky with a senior executive's grace and a calm demeanor, Richards says that The Group is part advertising agency, public relations firm, interactive company, and design and sales promotion organization, all under one roof.

Chances are, you've seen their work. The firm has produced campaigns for Home Depot, 7-Eleven and Nokia Mobile Phones, among others. One campaign for the chicken-based fast food chain Chick-Fil-A included simple billboards stating "Eat More Chikin," a slogan written by life-size cows standing on ladders.

Attrition is not one of Stan Richards' challenges. "We have absolutely the lowest turnover rate of any substantial advertising agency in America," he says resolutely. "Nobody even comes close."

There are several reasons, he says; chief among them is the group's gestalt. "I guess it comes as close to an egalitarian culture as you can get in a business environment. Everyone,

at every level, is treated with respect. There are no doors anywhere, with the exception of conference and rest rooms. It's a very open environment. Advertising agencies usually are hotbeds of paranoia because of the volatility of the business. So when a door is closed you wonder, oh gosh, what client are we losing now? The only way to defeat that is by not keeping secrets, so everyone in the firm is allowed to know everything that is going on – never a secret, never a secret conversation – outside of compensation, which obviously is personal stuff."

And The Group's plane contributes to the secure and rewarding corporate culture. "The airplane is part of who we are. Our sensitivity to the needs of our people is expressed by the use of the plane. We have opportunities all around the country, so we have to do an enormous amount of traveling. The plane makes it eminently doable for all of us to accomplish what we have to do and still sleep in our own beds at night, which is very important. I don't feel that it's fair to my wife for me to be gone as often as I would need to be if I were flying commercially. And I think that that extends to everybody in the company, particularly those with young kids. Being able to be





home every evening and to be able to sit down at the dinner table with your kids is of paramount importance. The plane lets us do that.

“At the same time, it is very important for us to be across the table on a regular basis with all of our clients. If we were to attempt to do that any other way, we’d spend all of our time in airports. This way, we travel a couple of days a week, sleep in our own beds every night, and we’re in the office early the next morning. It makes a huge difference,” he says. As well as largely eliminating the retraining and retooling costs of personnel turnover.

How important is keeping the best and the brightest? Important enough that you can find their names and tenures listed on The Richards Group’s Web site at www.richards.com/culture. Just click on “stability.”

Strategy Notes

Attraction:

- Companies commonly use business aircraft as recruiting tools to facilitate the interview and negotiation process for key prospective employees or business partners and their families.
- The greater the distance, and the more rural the recruiting base, the greater the apparent benefit and impression conveyable through the availability and use of company aircraft.
- Anything that helps motivate key employee recruitment is critical.
- The value of the first impression left on a prospective employee is very important.
- The use of business aircraft rapidly establishes credibility.
- Companies make regular flights to universities to recruit graduating students.

Retention:

- Companies can keep personnel longer by making their days shorter.
- The use of business aircraft for commuting or other personal travel can be negotiated as part of a personal services contract.
- Extra, “no-cost” passengers can fill empty seats as a reward to high-performance employees and their families on certain trips scheduled for business reasons, although this type of travel may be taxable as personal income to those passengers.
- A company philosophy that stresses family-friendly scheduling – reducing non-business hours away from home through the use of business aircraft for efficient day trips – can be very attractive.
- A surprising number of goodwill flights seem to be flown, typically very quietly, to facilitate employee medical treatments.

Road Show

Ever been to Twinsburg, Ohio? Don't want to?
Never mind. If you really need window-making machines,
Dick Dietrich will come to you, non-stop.



Dick Dietrich is the president of the Glass Equipment Development Corporation (GED) in Twinsburg, Ohio. The company “is an innovative and progressive machinery manufacturer dedicated to the development of automated insulating glass fabrication systems for the North American window and door industry.” If you can get excited about patented methods of applying hot melt butyl sealants and polyisobutylene, nobody does it better, or has more fun doing it, than GED.



For the last 10 years, Dietrich's been taking advantage of business aircraft to make and sell window-making machines faster and better than anyone else. One way he accomplishes that is to hit several customers over several days in a coordinated sales and marketing blitz, which, Dietrich says, is an efficient use of his team's time and an effective sales tool. The “team” often will consist of the vice president of sales and marketing, the sales manager, the regional sales rep, potentially someone from the engineering group and, occasionally, Dick (left) himself.

“Those are well-organized, quite specific shots at different customers. None of this just going down and talking, ‘Say, hey! We're a great company! Think about us!’ We're well down the road on the selling process. We're going in there to hammer on something, or try to get a close or move somebody off a position,” he says.

“Not only does the airplane make certain trips doable,” he adds. “It makes us do it. In other words, if we didn't have the plane, we probably wouldn't do the selling team approach and we certainly wouldn't be hitting several customers over several days.”

Business, and life, is tough enough without having to be grueling, Dietrich says. And the onerous nature of some trips is in itself a deterrent for many employees, so much so that, before the aircraft, the trip just wouldn't happen.

“Particularly when you're trying to get someone like myself involved,” Dietrich says. “I spent the 70s and 80s out on the road doing the hard selling.



Strategy Notes

- Sales and marketing blitzes can be of nearly any scope and duration, depending on the stamina of the participants and their families. They can be highly efficient and concentrated direct selling opportunities. Because they're time-efficient, participants are able to spend more time in the office and less time in airports.
- In some companies, business aviation is the prevailing method used to get senior officers into a specific marketing territory to visit customers and vendors. Because time is so limited, multi-day trips facilitate maximum exposure in a limited time.
- Sales and marketing blitzes can intensify seasonally, during new product introduction cycles, for IPOs or investment/investor swings, downturns in the economy or following a restructuring.
- Potential customers and distributors also can be the target of multi-day trips.

I've been there and done that and I don't want to do it any more. And yet I like going out and doing those kinds of things but it has to be palatable. If a guy says, 'Hey, we're going to jump on the airlines and switch and then fly to Nashville and then we're going to drive down to Smyrna to call on somebody,' then I'm going to say, 'I'll tell you what. Why don't *you* go down and do that? And good luck. And if I can help, call me.'

"With our airplane, they'll say, 'Let's go down there. It's important. We've got it set up and they're ready to talk.' And I'll say, 'Fine. Let's go.' And I think that's true not only for me but for

other people in this company as well. Economically, compared to flying a team in commercially, you can pay for that trip easily. For us, the availability of the aircraft makes the trip happen. It changes the configuration of the group. It totally has changed the culture of our company.

"If we had never gone into aviation, we'd still be a company and we'd still be doing our job, and I'm sure we'd be doing OK, but there is just no doubt in my mind that because of the airplane – I mean we're in this almost 10 years now – it's just changed our whole company and helped us to be a stronger, better company in all ways. It really has."



Office Hours

Contract negotiations. New product strategizing. Personnel matters. Mergers and acquisitions.

In a Louis Harris & Associates survey conducted two years ago, nearly 400 business aircraft passengers responded that their personal productivity was greater when they were aboard business turboprops than in their offices, and greater still when they were aboard business jet aircraft than in business turboprops.

Could this be an office design problem?

There seems to be something about a confined space designed explicitly for business use, combined with forward movement, that has a motivating effect on personnel productivity. You can't leave. No one drops by unexpectedly.

The phone usually doesn't ring off the hook. Seats face each other. You're above it all. What else are you going to do?

So you work. Your team is in front of you and your destination beckons, so you prepare, rehearse, get psyched, get ready. On outbound legs particularly, this is the norm. On homebound legs, after the work (and the debriefing) is done, the mood is more restive or festive, as it should be.

But perhaps even more unexpectedly, another practice has emerged. Many companies today view time enroute as more than just obligatory travel time to be endured. Their employees use their

time enroute for onboard meetings, conferences, sales demonstrations, interviews or relationship building. Of course, many passengers accomplish these tasks accidentally, but a unique and highly productive set of passengers actually schedules their use of this time as if it ranks among the highest potential value of the day. Some have taken this practice still further, placing it into daily practice to the point where it is now structural and expected.

A frequent flyer, Bill Denton is president at Rubbermaid Home Products.

"The airplane is an extension of our office," he says. "We probably have our most productive meetings there."



Try having meaningful discussions about those on public transportation.

“Generally, if I’m visiting factories – for instance we were just in Texas last week visiting two factories – I’ll have various operational people plus financial people with me. On our way there, we pretty much review all of our operations, our customer service numbers that we have regarding the facilities, any projects that are planned. And after we visit the facility we’re downloading information – what each of us has heard, each of us has seen – and really laying out plans, or confirming plans, or decisions that are made. Everybody’s locked into a small room for a couple of hours. There’s a lot of talk about our business, everything from human

resources to engineering issues to sales issues.”

Such are the unique “office” hours people keep today. “Generally, we’re moving at a pretty fast pace here. We all travel a lot. When we have an opportunity to get together, we all have somewhat of an agenda, certain issues that need to be discussed, questions that need to be raised. It’s just the way we have operated for some time. It’s just another workday when we get on the airplane. It’s just what we have to do to make our time productive.”

Strategy Notes

- Work enroute is the rule rather than the exception aboard business aircraft.
- Meetings are common and occur naturally, a by-product of proximity and the onboard environment. Aircraft often are designed to include conventional air-to-ground or satellite phones, fax machines, power for laptops, tables for spreading out large documents and face-to-face club seating in a private uninterrupted setting.
- Depending primarily on cabin size, aircraft often are used as offices on the ground, particularly internationally.
- Briefings and strategizing and practice sessions before arrival commonly are followed by debriefings enroute home.
- The enroute office also is used for product preparations, demonstrations and evaluations, often to onboard customers.
- Passengers can carry more aboard business aircraft than they can on the airlines, including sensitive materials.
- Employee work agendas aboard business aircraft initially are *ad hoc*. With practice, they evolve to become planned, and then are institutionalized.

Eight Flights Daily

Twice every morning and evening, a turboprop leaves San Jose on a round trip to Roseville, a suburb of Sacramento. Onboard are engineering and administrative staffers for Hewlett-

Scheduled air service between company facilities or customers.

Packard, moving between the company's two largest California operations or just commuting to work from home.

Scott Stallard, general manager and vice president of HP's Network Division (where business is "awesome") has flown on HP's shuttle "about two or three thousand times" over 25 years, so he knows it well.

"You first have to understand why HP exists on multiple sites and then that

the shuttle is an enabler to tie them together," he says. "What you realize about Roseville is that there is a lower cost of living for people and lower

attrition and higher maturity rates for employees, so there was a business need to set up operations outside of the [San Francisco/San Jose] Bay Area.

"Having said that, you wind up being linked back to the Bay area to either deal with partnered entities or HP's organization here. So there's a real business need for our people to collocate, to be in both places.

"We tried teleconferencing and everything else but, ultimately, there is a role for actually being there. There's an awful lot of networking, and influence, and driving to decisions that go on for a lot of the major R&D programs that go on between Roseville and the Bay Area.

"But I think that the real measure is benefit versus cost. I mean, we have people who are the best at what they do who would have never taken these jobs in the first place without the shuttle. It's absolutely a recruitment aide." Necessary in a cannibalistic labor market he says. "Oh, my gosh. The attrition rate in the Bay Area is about three times what it is in Roseville. It's a huge factor for us."

And as far as travel time savings are concerned, "Usually we're getting back that time in the form of work. It's not like they're getting home early. We're getting a long day out of people when they use the shuttle. It's pretty much an enabler, because if we miss a flight, it's a five-hour drive."





Strategy Notes

And what do people do on the airplane? “They work. I noticed this morning that about three-fourths of them were doing e-mail on their portables. They discuss work-related items given that there’s no issues of confidentiality – it’s actually an office.”

The aircraft also serves as a pack mule, as well as a people carrier. “We do component development in one city and system integration in another. We have to pass software and hardware pieces back and forth. Here – talk about a benefit, my gosh! – you could say, ‘Hey, can you get it on the 5:30 flight?’ Yup. Okay, I’ll have it in

the office by 7:00. Well, we’ll go grab a pizza and we’ll be back and it’ll be there. You’re basically managing programs down to the hour rather than losing whole days. I’m sure that we could have worked with couriers or FedEx or somebody, but it was just awesome. We knew we had about four drop-off points going each way every day.

“The value of our shuttle is more obvious to me than anything. You can say, ‘What would the alternative costs be?’ either commercial or driving or whatever, and the safety factors around all that. But this one’s pretty obvious.”

- Corporate shuttles are not aircraft-type specific; companies use whatever works best for a particular mission.
- Shuttles are not always permanent, often operating for short periods for specific projects or start-ups.
- Some companies fly to customer (rather than company) sites every day.
- Middle level and technical staffers are the most common passenger ranks.
- Flight frequencies can vary widely, from hourly to monthly, depending on need.
- Internal company marketing of the service is critical to its success.
- Shuttles are sensitive to commercial competition, which can be a more economical alternative.
- A key determining factor is aircraft utilization. A waiting aircraft provides little benefit to the company. A full, flying aircraft can provide great benefit.
- Shuttles are most appropriate for larger companies with decentralized operations and facilities, or for companies with repetitive tasks, such as safety checks, management reviews, ongoing employee training or a need to make airline connections from rural locations.

First In

Jim Cooling founded a law firm in 1977 on a shoe string.

It was 1980 before he had saved enough to buy his first plane.



High above downtown Kansas City, in a corner office of a glass skyscraper, sits Jim Cooling. His neighbors are jealous. Cooling's law firm signed its first lease on their space before most of the other tenants knew the building existed, and so enjoys a rent that includes a degree of "incentive" for which later tenants failed to qualify, which makes Jim happy – not at the misfortune of his neighbors, but that he was there first.

Cooling has been there first often. The lead attorney at Cooling & Herbers, a 25-person insurance defense and transactional law firm, Cooling is rumpled, and fun, and a pilot. Aside from being a good lawyer (few really bad lawyers get corner offices), Cooling has built a successful international law practice in part on his mobility – getting there first.

It didn't exactly begin that way. "When we started, we were just a local firm, with local business. For the first year and a half, we pretty much concentrated on our home turf, to ensure that we didn't stub our toe starting a new business. We hoped that gradually people would hear a little bit about the work we were doing and people in other parts of the state would want our services. I learned that I needed an airplane to do that. We were learning that if we were to continue to be involved in cases that were further and further away (People started to talk to us about cases in western Kansas. Well, it's a *long* way to western Kansas), with the airplane, our market range expanded, and our sense of what we might take on expanded as well.

"With four young children, just starting out," he says, "there's a big difference between being gone for three days and being gone for just



one day. If we had a case in West Plains, Missouri, which was west of the Ozark Mountains, it was a six-hour drive from Kansas City, but it was a 55-minute flight, so you could get your business done and come back home. We found that we had cases like that in Kansas, and Nebraska, and Arkansas. Unless you had a way to get out and back in the same day, it took three days to do the trip."

With the airplane, Jim's family was happier, which made Jim happier. Gradually, their market grew, from local to regional to national, in an ever-enlarging circle drawn around Kansas City. Eventually, they began taking international clients.

"The airplane gave us instant credibility. It really allowed us to expand our law practice because we could take cases that I would not have taken had we not have been able to run back and forth and be able to deal with court filings, depositions, hearings, etc. The airplane helped business. It allowed us to get there earlier, no matter where we were needed.

"Being able to go when you want to go – for a trial or a meeting, and it's a holiday weekend, and the judge schedules a hearing for that Monday, and you need to meet with an expert witness in Ames, Iowa, before the hearing on Monday – there's no way you can go on the airlines. The airlines do supplement the airplane, and I've

even taken it to Canada and Mexico. But regional trips to small towns are its best use.

"What people may not know is that if I'm going to Dallas, my final destination may be to some small town northeast of town. It's faster for me to go there directly than to fly to DFW and rent a car," he says.

Whatever gets him there first.

Strategy Notes

- The attractiveness and potential of new geographic markets is limited in part by physical access to those markets.
- The practical range of business aircraft can open potential new markets, including international ones, and provide dramatically improved access to rural areas in particular.
- Market expansion is facilitated as much by attitude as access. Business aircraft, because they can facilitate access, can lessen or remove perceived barriers to the management of new markets.
- Prospecting within new markets is the first step, often for potential local business partners. Business aircraft sometimes are used to facilitate meetings that take place at a half-way point into these new markets.
- A new class of business aircraft with non-stop ranges in excess of 7,000 miles is making access to global markets practical and common.
- Almost every flight on business aircraft has an element of market expansion in it.

Dovetailing Schedules

The Daymark Group's on-hold telephone announcer cheerily describes the company as "a pioneer in demand chain logistics," which they probably are. In the simplest terms, however, Daymark is a successful and good-sized trucking company based in Russelville, Arkansas, which is in one of the more rural parts of the state. The company's plane (right) is used to help management efficiently visit its mostly rural facilities and customers nationwide.

What is different about Daymark's flight department is that it can operate under an FAA Part 135 certificate, a license that allows their aircraft to be legally chartered on a for-hire basis.

Getting the 135 certificate was not quite as easy as checking a box, but it was not an onerous process either, according to Greg Hill, Daymark's VP of flight operations, "The aircraft required minor upgrades and certification to 135 standards," he says. "Pilot training was increased. And the paperwork load rose a bit.

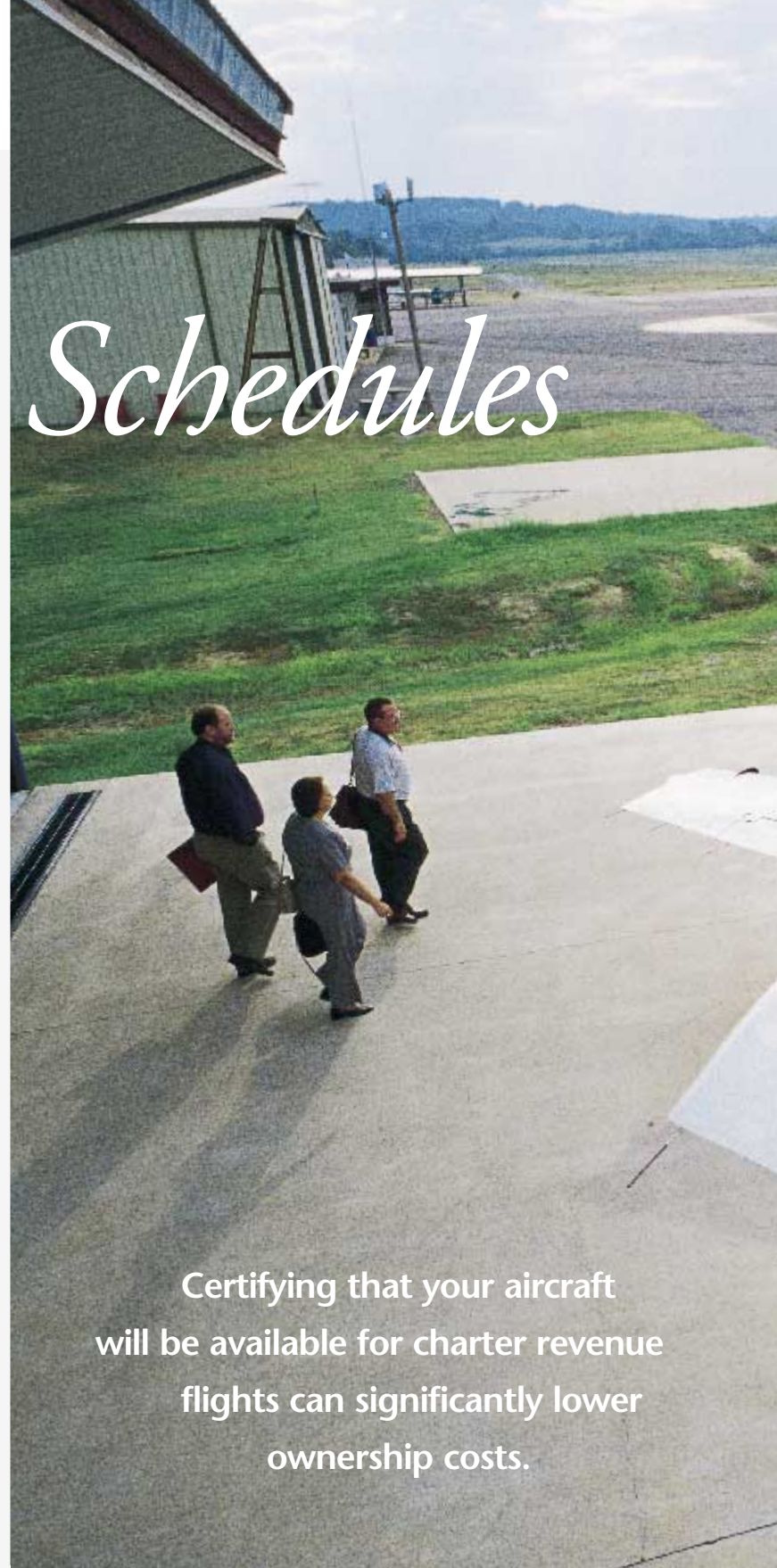
"But it forces us into a better operation, because of the demands they put on our aircraft maintenance, and the recurrent training and duty time limitations imposed on our crew. We now meet those higher maintenance and recurrent training standards even though they are not necessary when we normally fly under Part 91 [normal corporate] regulations," he says.

The extra effort on aircraft maintenance alone means that "hardly

anything gets missed that either is required or recommended under maintenance," Hill adds. Also, because Daymark specifically has qualified for a 135 certificate under the legal wing of a large charter operator with whom they're now commercially affiliated, they also have piggy-backed on that operator's contract buying power for

fuel, insurance, recurrent training and maintenance, even qualifying for an extension in the time between overhauls on their aircraft's engines, saving thousands.

Of course, the real-world use of the aircraft must seamlessly dovetail Daymark's corporate travel needs with the needs of charter customers.



**Certifying that your aircraft
will be available for charter revenue
flights can significantly lower
ownership costs.**



This can be a challenge, but when it works, everyone benefits.

“Our 135 certificate gives us the flexibility to use the aircraft for charter revenue flights,” Hill added. “We like having that option. The contract buying benefits alone are substantial. And when we do charter, we figure that we defray our fixed costs of operating the aircraft

by about \$300 per hour,” which, while not changing the world, adds up.

“We certainly don’t make money in a conventional sense. But it allows us some flexibility with what we do with the airplane, and it allows us to keep it flying when we hit slow periods, and I think it makes us better business aircraft operators.”

Strategy Notes

- Low aircraft utilization rates can be bolstered by charter revenue flying.
- Successfully dovetailing company and customer needs may be the greatest challenge facing operators with 135 certificates.
- Flightcrews of companies with 135 certificates may be “on call” more hours than normal corporate operators.
- Charter certificates may be shared with other companies.

Just in Time

Here's a novel idea:

Centralize a lean engineering force
and leverage that talent by boosting their mobility and efficiency.





It's a big country. Nebraska is a big part of it. How big is Nebraska? The west side of the state is in one time zone, the east side in another.

The capital of Nebraska (that's Lincoln for you Jeopardy fans) is on the east side. More than 30 years ago, the State of Nebraska turned to aircraft as the logical solution to state-wide travel needs, not the least of which is travel to, well, a few "less-traveled" towns.

Bill Lyon, deputy director of operations for the Department of Aeronautics for the State, offers this simple equation: "To travel across Nebraska, it takes a day's driving. If we have a day's work to do, it takes a third day to get home. With the aircraft, we can go out, do a day's work, and be home in the same day. We're able to eliminate a lot of motel and travel expenses but most importantly we're able to save and better utilize the time of our employees."

All the state's agencies use the state's aircraft. This includes doctors, lawyers, airport and road engineers (like those pictured), health and human service workers and a governor who, as a bona-fide state employee, is a frequent flyer. But it's employees at the medical center in Omaha that are the primary users, regularly flying to rural medical clinics.

"Most of the state's engineers are based in Lincoln, and they use the aircraft to complete work around the state," says Lyon. "We also will charter aircraft out of another city, rather than 'deadhead' a state airplane for a trip. For Nebraska, this accounts for about 10 percent of state aviation operations."

Nebraska is not alone. Any organization with centralized engineering or production talent, and the need for that talent to be in several places, can leverage that talent via business aircraft.



Strategy Notes

- Engineering teams are commonly dispatched to rural or remote areas to:
 - rapidly restore service at "down" facilities or sites
 - monitor, inspect and review construction progress
 - install, modify or dismantle equipment
 - deliver and install emergency parts
 - evaluate potential construction sites
 - attend or facilitate meetings
 - visit suppliers
- Business aircraft can:
 - replace unavailable commercial air service
 - improve access, make travel easy, save money
 - connect engineering personnel to the end result of their work
- Other trip types include:
 - Piggy-Back Flights: Some companies fly trips where passengers are dropped off enroute to make the flight more cost effective.
 - Round Robins: Some companies fly multi-stop trips where passengers meet on the aircraft on a rolling basis for briefings or consultations. This practice is particularly useful for company directors who are senior managers at other companies who would otherwise be unavailable except for time enroute to their next destination.

Transformation

It's funny what happens to your perspective when you realize that 96 percent of the world's population does not live in the United States.

At 57, Hartley Peavey has seen – and heard – a thing or two. From scratch, launched out of his father's basement in 1964, the boss at Peavey Electronics has built a 2,000-person company which today boasts a 3,000-item multi-national product catalog. It has not entirely been an overnight success.

“Early on, I decided that if I couldn't be a rock star, then I'd give every musician what they'd always told me that they wanted – a good product for a fair and reasonable price. This was a new concept at the time,” he says.

“And of course everybody said I was crazy. They were probably correct, but the fact is I've always thought that if you're trying to break into a market, you should make something everybody else didn't. At the beginning, I would build guitars and amps myself and in doing so I discovered a better way to do it. That was nearly 35 years ago.”

Peavey's international epiphany was not sudden. “When I was a student at Mississippi State, I never in a million years thought that I'd have the opportunity to even visit another country. But I've always been kind of curious about things. Conventional wisdom has never burdened me much. And it had always been significant to me that 96 percent of the world's population lives outside of the United States. So, thinking commercially as I do, if we are a U.S.-based company and leave 96 percent of the world's population untouched, well, that probably was ‘stinkin’ thinking.’ I had spent half my life at trade shows and that's where you begin to

understand that the world's a bigger place.

“So I decided in the early 70s that one of my long term goals would be to make Peavey an international company. Eventually, I went to Norway, our first account in Europe, and found another world.”

Today, a lot of Peavey's products are country-specific models designed for export, and every one is different. “You have to make a 220 volt version for Europe, 240 volt version for Australia. England, South Africa, Japan – all different. We have to make a UL version for the USA. We have to make a CSA version for Canada.

“The export market is still huge. Americans tend to be rather myopic and don't see that, although that's probably changing. The Japanese and the Koreans base their whole

economic engines on exports. But most Americans are too lazy to go out and worry about writing instruction manuals in other languages and dealing with various agencies and paperwork and things like that, but how can you possibly ignore 96 percent of the world's population?”

Today, Peavey sells in 130 countries, which accounts for about a third of the company's sales. “I told everybody that we were going to become an international company and my late wife Melia made that happen. She deserves a lot of credit for our international success,” he says.

Peavey's aircraft helped make that happen, too, transforming Meridian, Mississippi into an international airport and making Europe, and all of North and South America, reachable non-stop. They are frequent Peavey destinations, and getting there via the company plane is done with punctuality, just like Peavey's domestic travel, that, most often, involves employees occupying every seat. “It's a big part of our future,” Peavey says.

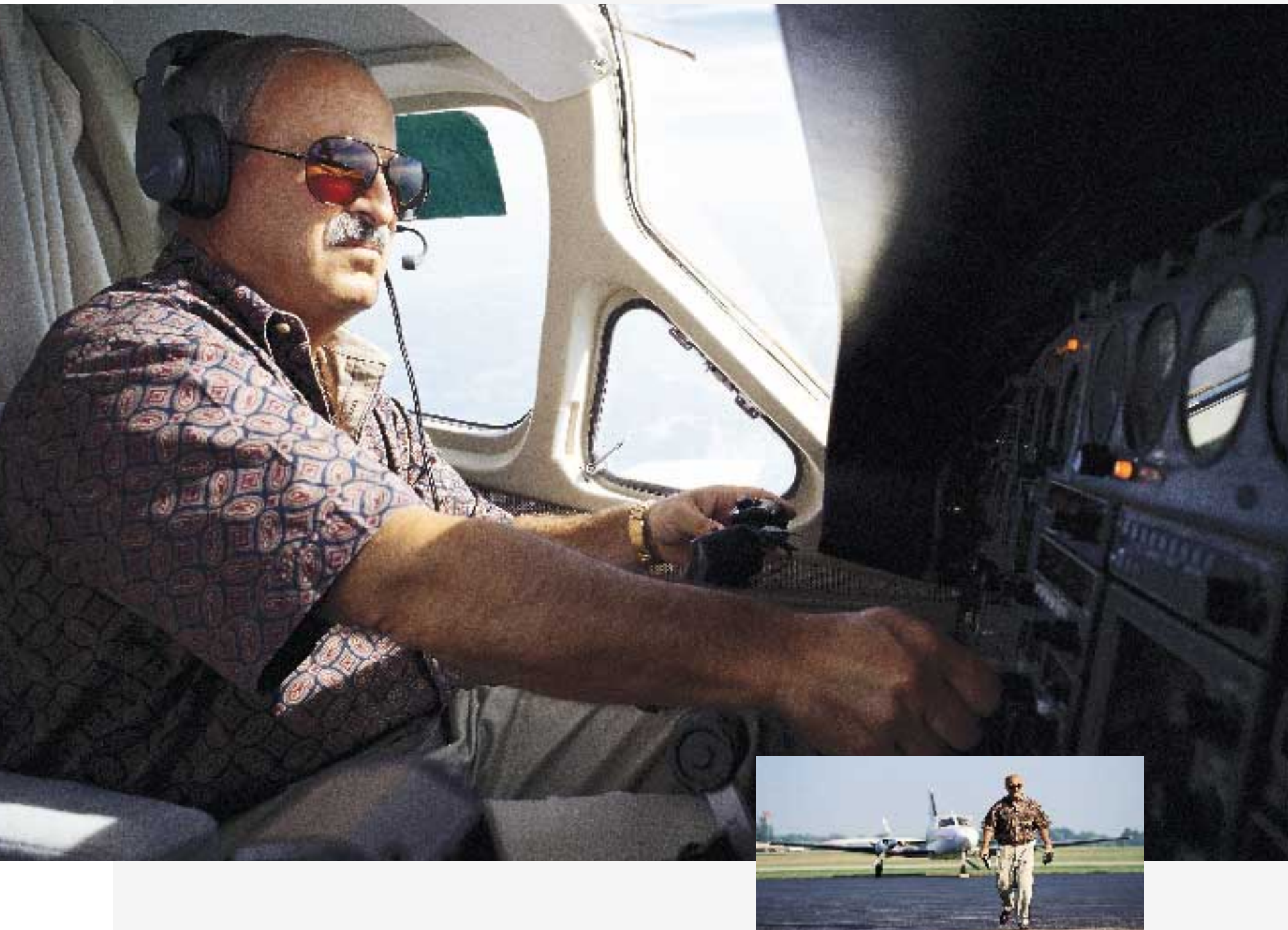
Strategy Notes

- There are approximately 80 business aircraft flights daily flown to Europe, Asia or South America. A surprising number of the aircraft used for this purpose are small to mid-size jets.
- Many companies transport management teams internationally for multi-city visits, some covering dozens of cities over multiple weeks. Given the limited airline service in some regions, this can be a highly efficient practice.
- Business aircraft commonly are used to feed passengers into international airline connections.
- Canada, Mexico, Central America and the Caribbean are the most frequent destinations for U.S. companies. For many, these markets are closer than across-country U.S. markets.
- Emerging markets – both as potential suppliers and customers – in China, India, Russia, etc., are of increasing interest.



Joe to the Rescue!

The ACS in *ACS Industries* used to be an acronym for American Coupler Systems. Today, it just as easily could stand for Aggressive Customer Service.



Joe Zeno likes to tell the story of the customer who calls in a mild panic. “‘Hey! We’ve got a problem,’ they’ll say. We’ll put parts and people aboard the airplane and get ready to go. I’ll say, ‘Can you meet us at your local airport at 9:00 tomorrow morning?’ Usually when we ask that question, there’s a silence at the other end of the phone.”

Joe smiles. The next morning, so do the customers, Joe says. Joe Zeno has built a business based, in part, on that brand of rapid customer response.

A Kent, Ohio-based heavy metal fabricator, ACS popularized the concept of attachment changeover technology for construction equipment vehicles. In simpler terms, ACS makes plows and other attachments for wheel loaders, excavators, loader backhoes and “dozers” as well as the gadget that allows them to be swapped on and off in seconds, without getting out of the cab. “It’s a fairly broad product line,” Joe volunteers.

“Yes, we use our aircraft as a taxi. But we’ve discovered that the aircraft creates a material competitive advantage for us,” he says. “We make iron. Sometimes that iron is going to break. When an attachment goes down, you’ve got a tractor operator who goes down, and that can be very costly.

“So we can focus the resources of our company quickly on that problem, and get that customer back up and going. No one else, none of our competitors, can do that. So our customer service is really ‘we’ll drop everything.’ And people remember that. We’ll hear, years later, that ‘Oh, yeah, we had a problem, and you came right out and fixed it and we were back up.’”

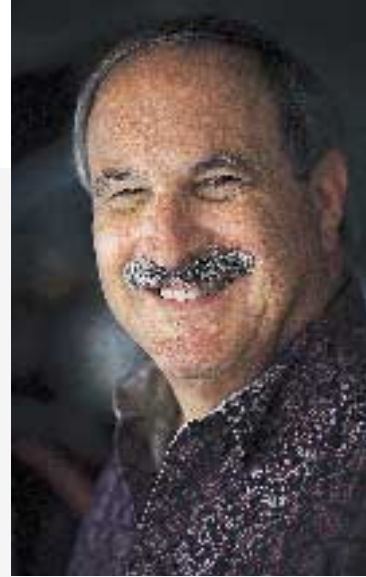
ACS’s emphasis on customer service is not the result of an overnight

revelation, but rather a careful evolution over the years, watching to see what worked. “One day I happened to be driving by an airport and I thought, ‘Gee, flying lessons.’ It then became apparent to me, after I had about 30 hours of flying time, that the airplane just might be a business tool.

“I can remember, at the beginning, that we had an equipment problem in Kentucky. And I thought, ‘Oh, the coal fields, there’s no way to get down there. It’ll take a whole day to drive, part of the day there, and a whole day to drive back.’ I didn’t have the time. So we flew a small plane down to Pike County, Kentucky, did what we had to do, and I was home by 6:00. And I realized: there’s no other way to do that,” he says, and an idea was born. That was 20 years ago.

Today, it’s still “whatever works.” “If I only need to go to Atlanta or Los Angeles or Boston, of course I’d take the airlines,” Joe says. “But if you need to go almost anywhere else, you just can’t get there efficiently. So it became apparent that the airplane was a business tool, and we’ve used one ever since.

“Today, you couldn’t do the things we do any other way. We’re a high performing company. We’ve experienced significant growth. The economy has been good, and I think people should expect companies to do well during those times. But I also think that the airplane has been the edge that has allowed us to just about double the growth rate for our industry in general. It’s been an invaluable tool for us. I cannot envision running our company effectively and efficiently without the advantages an airplane brings to us,” Joe adds.



Strategy Notes

- Emergency customer service flights (i.e., the “Corporate Fire Truck”) are commonly triggered by machinery malfunctions, lack of parts, natural disasters, accidents, medical situations, or a lack of customer knowledge. The first line of defense is expert personnel commonly flown in to troubleshoot.
- Emergency customer service is a highly valued practice that can always be available as the only priority that will “bump” a CEO off company aircraft.
- Hurricanes, floods, tornadoes and other natural disasters often result in emergency crews flying to the site to assess damage and aid restoration efforts.
- One ancillary benefit of sending company aircraft on customer service missions is that additional personnel can be added to assist in remedying the situation at no additional transportation cost to the company.
- Rapid response can have other uses aside from traditional customer service. For instance, a potential customer is unhappy with a supplier, and he wants to consider you as a replacement. Timing is everything with those requests.
- Business aircraft can be used as replacement transportation for an important customer’s cancelled commercial flight.
- Business aircraft also are used as an emergency backup for normal expedited shipping channels.
- Company attorneys, photographers and insurance personnel can respond rapidly to an accident.
- The availability of emergency customer service is a significant selling point to some customers.
- Sales support: Travelling to a job site of a customer who doesn’t understand how the product works.
- The prevention of production line service interruptions often is avoided through the timely delivery of expertise or parts.
- Business aircraft use can indicate an unusual level of support via a demonstrated sense of urgency for a customer.
- Many companies consider their most important customers to be internal and use their aircraft to improve their performance. This would include the use of aircraft to facilitate employee or dealer and distributor training.
- The visibility of company personnel, increased through the use of business aircraft, can improve company perception.
- Whether scheduled, on-demand, or emergency customer service, the marketing of the availability of the service should be part of company sales strategy.
- Some companies use aircraft only for customer service; some never use them for that purpose.
- Proactively, warranty service on production installations and construction projects can require scheduled visits.

Safe and Secure

Companies that operate their own aircraft can exercise maximum control over their employee's travel safety and security.

Ocean Mist Farms of Castroville, California, is the world's largest grower of artichokes. They grow other things too: head lettuce, broccoli, spinach, cauliflower and fennel among others. The ag company is headquartered in the Salinas Valley with operations spread out over central and southern California.

"Most of our trips are upper- and mid-level management, and production people, from the CEO to the people who are in charge of harvesting," says Greg O'Neal, vice president, finance, and one of the company's most frequent flyers. "Instead of having a duplication of staff at all our

locations, we use the airplane to get our production people out to where they need to be. In the agriculture business, we're very schedule sensitive. It's key that we keep these people moving around and updating our production estimates to a pretty high degree of precision."

And that means that the company travels safely. "Being in the farming business, most of the people in this company are familiar with things that are mechanical. They have a feel for the operation of a machine, whether it



is an airplane or a tractor. Safety is our number one concern. That's the way we want it to be. Years ago, on my first trip on the company plane, the radar wasn't working properly, so we turned around and headed home. That was a smart thing to do, even though it meant that we ended up being a day late to where we were going. But we appreciate those decisions and we're better off for them.

"Aircraft – ours included – are exceptionally safe. Our culture is safety first – no ifs, ands, or buts. Nobody will question if, for some reason, we don't go," he says.

The crew also has to preflight itself in addition to the aircraft, he says. "I don't think everyone understands just how important a well-rested pilot is, but they're learning. That comes down to staffing and crew scheduling. But some missions are tougher than others. It might be a very easy trip one day in clear conditions to a well-visited field. The next day it can be a very different situation, when they fly through weather at night, to an unfamiliar airport. That's when you generate fatigue and that's when companies are wise to be particularly sensitive to crew performance."

O'Neal also has seen a highly individualized level of consideration develop between corporate aircraft crews and their passengers. "A good crew knows that different people have different needs. From the hard charger to the real conservative flyer, that knowledge gives our passengers a feeling of comfort. Consequently, there are trips we make with some people that we wouldn't make with others on any given day. Everyone's happy that we make that distinction," he says.

Crew training also is critical and is done to the highest standards. "It's

never an issue. We get the best training. If our crew members are going to be really sharp, they need to train periodically and consistently," O'Neal says.

As for maintenance, "Essentially we have an open budget. If it needs to be fixed, we fix it. Maintenance has never been questioned." The mechanical soundness of the company's turboprop is about the only non-negotiable aspect of the company's business, he says.

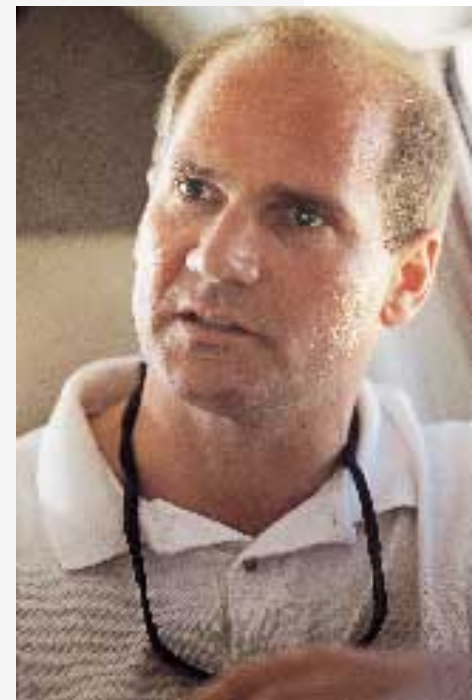
"You know," he continues, "There's a lot of work that goes into comparing the cost of one aircraft versus another on an hourly basis in this business. We really don't concern ourselves with the cost per hour of the aircraft. Instead we look at the cost of the aircraft per our unit of production. We'll keep flying as long as we think it's contributing in terms of being a cost effective alternative to other means of travel or, for that matter, just being available so that we can do the job we need to do and be where we need to be at any time.

"Produce is a perishable commodity. There are times when decisions can't wait until tomorrow. How do you place a value on that? We have to be there when we have to be there."

Aside from safety, security also is an issue that has a direct bearing on productivity. "The people who travel on our aircraft, with rare exception, spend every minute working. We get a great deal done in an undisturbed, hour-long plane ride, and a lot of the time they are strategic conversations. Where and when we go, and what we talk about, is private. You can't do that on an airliner. The business value of having someone's undivided attention, whether it's an employee or a customer – you can't buy that. Sometimes people actually plan to go on a trip to a great degree because they can sit down for an hour or two and talk. It's hard to quantify,

as so many things are, but it's almost priceless. If we've got six passengers and it's an hour trip, they'll get six solid hours of work done in a secure environment. That's the nature of our business. The quality of the work that gets done enroute often pays for the cost of the trip."

But is it safe? "I think it's extremely safe. You know, the numbers prove that. Our aircraft is extremely safe and it's very well maintained. The crew needs to be well rested and well trained, and we do that, there's no doubt about it. But I think that our crews know their aircraft and what each passenger's comfort level is, so that each passenger feels that they were treated to the safest travel possible." And that helps makes each passenger safe and secure.



Strategy Notes

- Personal safety and industrial security often are critical motivators favoring business aircraft use.
- Personal safety takes on additional dimensions in certain international environments. Security and maintenance personnel routinely accompany some flights to certain countries.
- The privacy afforded by business aircraft can shield passengers from uncontrolled public exposure. The ability to conduct business without being scrutinized by fellow passengers – limiting possible industrial espionage – is critical.
- The anonymity afforded by business aircraft – travel is less visible than it would be through the use of public air carrier airport terminals – also can aid industrial security.
- The content of all baggage and cargo is known and controlled.
- Depending on the weather (including acute winter weather), flying is definitely safer than driving on icy and snowy roads.
- Many companies sponsor yearly safety audits of their flight departments.
- For these and other reasons, by corporate policy, some senior managers only can fly aboard company aircraft.
- Business aircraft routinely are used in international settings because of foreign airline safety and security concerns.

Jack of All Trades

And then there are those companies that use their aircraft for just about everything. Yates Petroleum, of Artesia, New Mexico, is one of those.



Have you ever seen an old pickup parked over in the corner at some place, the truck everybody uses for everything, that always seems to have the keys in the ignition, ready to go; nothing fancy certainly, but serviceable?

Out in the desert of New Mexico, a long way from most other places, is a small airport and a nice hangar. In it (sometimes) is one of the most versatile business aircraft ever built. It belongs to Yates Petroleum, an independent oil producer based in Artesia, and it's about 16 years old.

Yates is an independent oil exploration and production company. The aircraft is used for taking senior managers to Houston or Denver (below) for meetings with oil company executives. Or to move engineers and field representatives to Wyoming for field inspections. Or to take engineers or production people if there's a problem with a well, taking them as soon as they can as close as they can so they jump in their cars and run out and try to take care of the problem.

Like we said, it's a pickup truck.

Randy Patterson is corporate secretary for Yates. "We're pretty active in this town and in our industry. We're involved in dozens of trade association meetings and conferences every year, where we have both employees and principals go and participate," he says.

The airplane increases what Yates is able to do quickly. "We've had important contracts that had to be signed. You get on the airplane with the contract, take it out to whomever needs to sign it and bring it home. We've done that. We've even had to





of the people on the committee to meetings with architects or to look at other towns. That's just a community service we do. One of our officers is on that committee so we help out. As I said, it's a small town.

"Once a year, we go around and gather up the New Mexico doctors and fly down to Mexico and do medical work down there – take eye doctors and regular doctors, a whole bunch of them, and help out in some of the impoverished places down in Mexico. We've done that four of the last six years.

"Last year, we had a terrible bus accident up in the mountains west of here. A load of kids on a church bus was driving home to Lubbock, Texas. A fellow lost control of a trailer and they hit head-on. It killed, I think, seven of the kids and hurt a bunch of the others. We flew shuttle flights over to Lubbock and picked up parents and brought them here, or took parents back to Lubbock who had gotten here some other way. Those people we didn't know – we didn't know any of them – may never see them again, but we knew that it was something that the town was involved in, the community was involved in, and it was important to do."

Indeed it was, and perhaps there is no better use of Yates' flying pickup truck.



move parts, although the airplane is outfitted more for people than parts.

"With as fast as things move nowadays with computers and e-mail and fax machines, and as fast as everybody is doing things, living in a small town with no access to major air carriers, there's no way we could get as much done as we do if we weren't able to use the airplane. We'll carry people to Dallas, El Paso, or Albuquerque. It's two hours to Dallas."

Patterson reports that nearly all of the company's major holdings 20 years ago were in southeast New Mexico. "Since that time, using the airplane, we've operated wells in Louisiana, the south coast of Texas and Kentucky. We're drilling very heavily in Wyoming. We operate wells in Utah, and other places. We've spread out considerably, and the airplane has helped that. We wouldn't be able to do it nearly to the

extent we've been able to without the use of the airplane," he says.

And as one of Artesia's largest employers, the company feels somewhat of a duty to help out in town from time to time, Patterson says. "If there's a medical emergency, we've used the airplane to help somebody who has a heart problem, or who needs to get to the doctor in a hurry; we've flown people to Albuquerque and Lubbock.

"For folks here in town – you know this is a small town, less than 12,000 people, so it's a very close-knit community – we do some community-type functions. To give you an example, right now we have a big Main Street development program, where a group of citizens and the Chamber of Commerce are trying to spiff up Main Street. We're building a fountain in one of our Main Street areas downtown. We've used the airplane to carry some

Strategy Notes

- The versatility of aircraft makes them ideally suited to tackle multiple missions.
- Flights with separate missions *per passenger* are common.
- The value-added contributions of business aircraft are limited chiefly by management's imagination and skill at integrating their potential with the organization's goals and objectives. This is most effectively realized through deliberate, in-depth consideration.

Additional Utilization Strategies

Several additional utilization strategies not specifically illustrated on the previous pages also merit consideration. These include:

Priority Cargo, Parts, Mail

A practice of immense potential and often uncounted value. Many companies use aircraft to carry high value cargo, replacement or spare parts, or inter-office mail. This practice is common and often unquantified, but of substantial commercial value in displaced overnight delivery charges. Any material which cannot practically be moved by conventional shippers due to size, weight, susceptibility to damage or other physical limitations, and particularly those that need to be delivered within hours, often are best transported via business aircraft.

Projects

Usually infrequent or “one shot” uses, such as, for instance, multi-location advertising photography “shoots” involving a multi-disciplined team of experts. The combination of both personnel and an unusually large amount of project-specific equipment can trigger business aircraft use as the most efficient and cost effective travel alternative, specifically for transporting delicate equipment of extreme value to the project.

Utilitarian

The use of business aircraft as a convertible platform useful for: mapping; aerial surveys, inspections and photography; cattle ranching and herding; flying labs useful for airborne experiments or other research and development; educational labs; surveillance; power line and pipe line patrols, in addition to other uses.

Public, Press and Investor Relations

Progressive companies often manage opportunities to project a positive corporate image using business aircraft, either as a symbol of efficiency or as simple transportation to facilities or events to further this purpose. Publicity generated by the use of aircraft for noble purposes, such as the rapid delivery of relief supplies after a natural disaster, can be of substantial public relations benefit.

Personal Travel

For an employee's non-business related personal travel. Although the use of business aircraft for personal travel is comparatively rare and specifically prohibited at many companies, other companies use the availability of personal travel as a unique contractually-defined benefit useful to attract and retain high value employees. Specific tax regulations apply to this use. Further information on these regulations may be found at www.nbaa.org/taxes.



Emergency Evacuation

To remove company employees from harm's way, usually as a result of a medical emergency, natural disaster, civil strife, or other security threat, particularly in areas of limited or uncertain scheduled airline service.

Goodwill

Providing for personal customer or employee needs, such as travel associated with family emergencies or as a favor. There is not always an immediate, tangible business benefit from the use of business aircraft for customers or employees with special needs or for public officials (see below). A longer view, however, may suggest that the company's strategic interests can be best served by this practice depending on individual circumstances. Specific IRS regulations govern this practice regarding calculating imputed income. Further information on these rules may be found at www.nbaa.org/taxes.

Lobbying

Sponsoring transportation for elected or appointed officials. The use of business aircraft for the carriage of public officials is common at all levels of government. Specific IRS regulations govern this practice. Legal restrictions also can limit the availability of sponsored travel for certain government employees. All travel of this type is routinely and publicly reported. In rare instances, business aircraft also are used to carry government officials to company-sponsored events. These can be unusual and invaluable opportunities for information exchange. Further information on these rules may be found at www.nbaa.org/taxes.

"Other"

And still more yet to be identified.

Next Steps

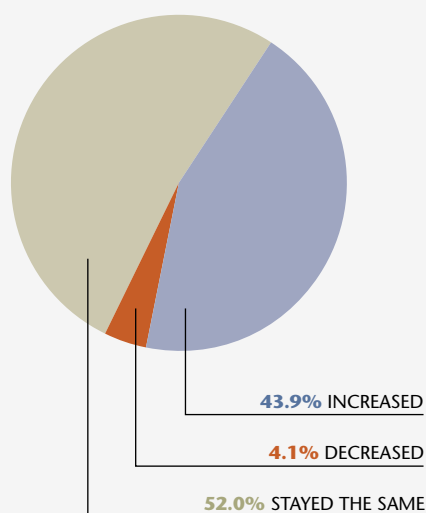
- 1) Consider how on-demand air transportation services can add value to your company and better help accomplish your corporate mission.
- 2) Share your thoughts with your peers. Start a discussion that generates a list of ways to better utilize the aircraft available to you.
- 3) Share this list within the company.
- 4) Conduct an air transportation analysis. What are the on-demand air transportation needs for the company over the next 18 months?
- 5) Distribute copies of this brochure to the company's frequent flyers and potential frequent flyers.
- 6) Educate management about the features, benefits and possibilities available to them via business aircraft.
- 7) Devise transportation solutions for individuals and departments within the company. Find out what their needs are through directed interviews — many ideas will flow from these discussions.
- 8) Visit NBAA's Web site at www.nbaa.org for more ideas.



J.D. Power and Associates conducted a business aircraft utilization study for NBAA in July and August 1999. A sample of companies and organizations that use fixed wing aircraft and/or helicopters for business purposes was randomly selected from several independent sources. Interviews were conducted among corporate decision-makers who have the capacity to authorize aircraft use for business purposes or have input on how to maximize the usage and benefit of the fleet. Of the individuals interviewed, 37 percent identified themselves as senior company managers while approximately 63 percent identified themselves as senior flight department managers. Telephone contacts lasting 20 or more minutes resulted in 413 completed interviews equated to an approximate 20 percent response rate. Data were weighted to reflect the proportion of helicopter versus fixed wing aircraft incidence among all business aircraft users.

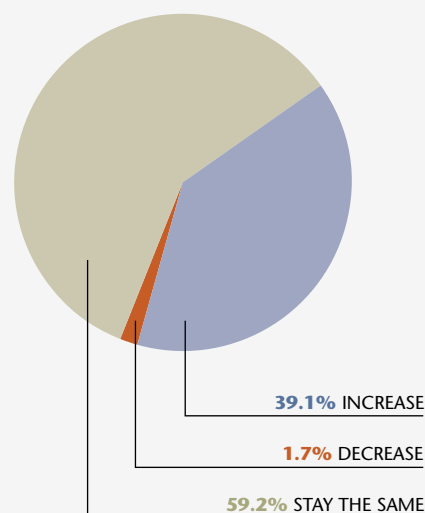
Utilization Trends

Organization's Usage Of Business Aircraft In The Past 12 Months Has:



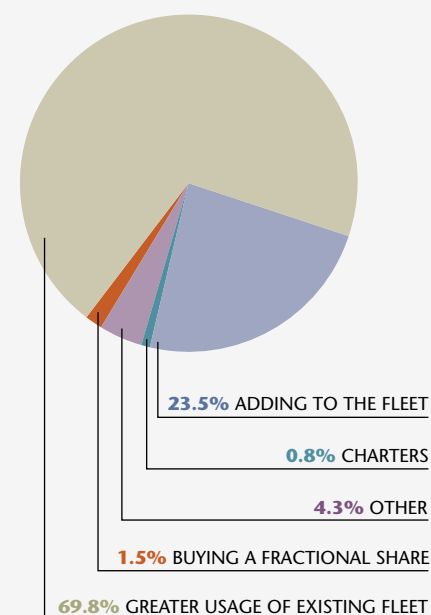
OF THOSE WHO SAID THEY HAD EXPERIENCED AN INCREASE, THE MEDIAN INCREASE IS: **15.0%**

Organization's Expected Future Usage Of Business Aircraft In The Next 12 Months Will:



OF THOSE WHO SAID THEY HAD EXPECTED AN INCREASE, THE MEDIAN INCREASE EXPECTED IS: **10.0%**

Aircraft Resourcing Option Likely To Facilitate Increased Usage In The Next 12 Months:



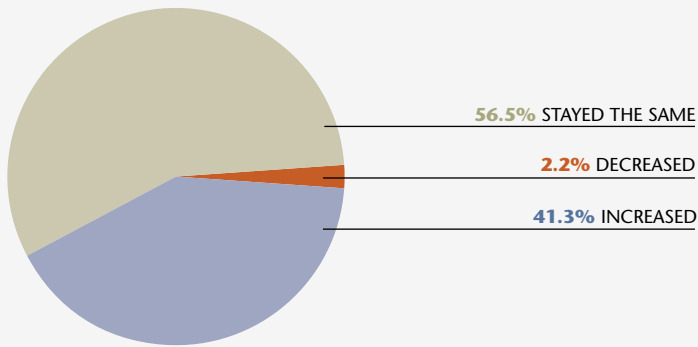
Aircraft Access

Number Of People Who Can Authorize Use Of Organization's Aircraft:

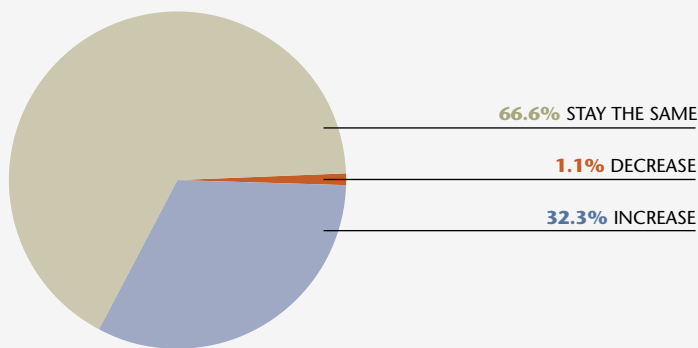
1	13.8%	6-10	10.8%
2	23.3%	11-15	2.5%
3	21.5%	16-20	2.9%
4	9.9%	21-25	1.9%
5	7.1%	More Than 25	6.3%

MEDIAN (NUMBER OF PEOPLE) **3.0**

Employee Access To Aircraft In The Past 3 Years Has:



Employee Access To Aircraft In The Next 3 Years Will:



Utilization Assessment

The Organization Has Conducted A Study To Determine The Best Use Of Its Aircraft?

YES **21.2%**
NO **78.8%**

Among Those Who Have Conducted A Study, Percent That Believe Organization Should Study Issue Further:

YES **40.1%**
NO **59.9%**

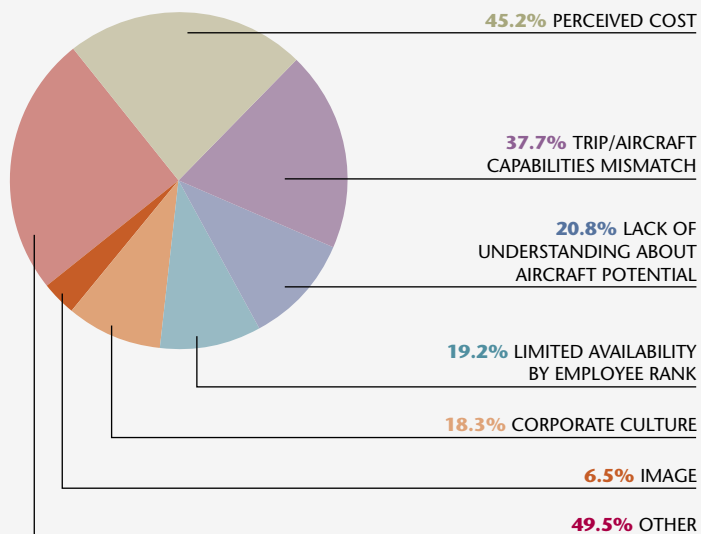
Of Those Who Have Not Conducted A Study, Percent That Indicate If A Study Should Be Done:

YES **23.3%**
NO **76.7%**

Estimated Level Of Organization Aircraft Utilization Assuming 100% Potential:

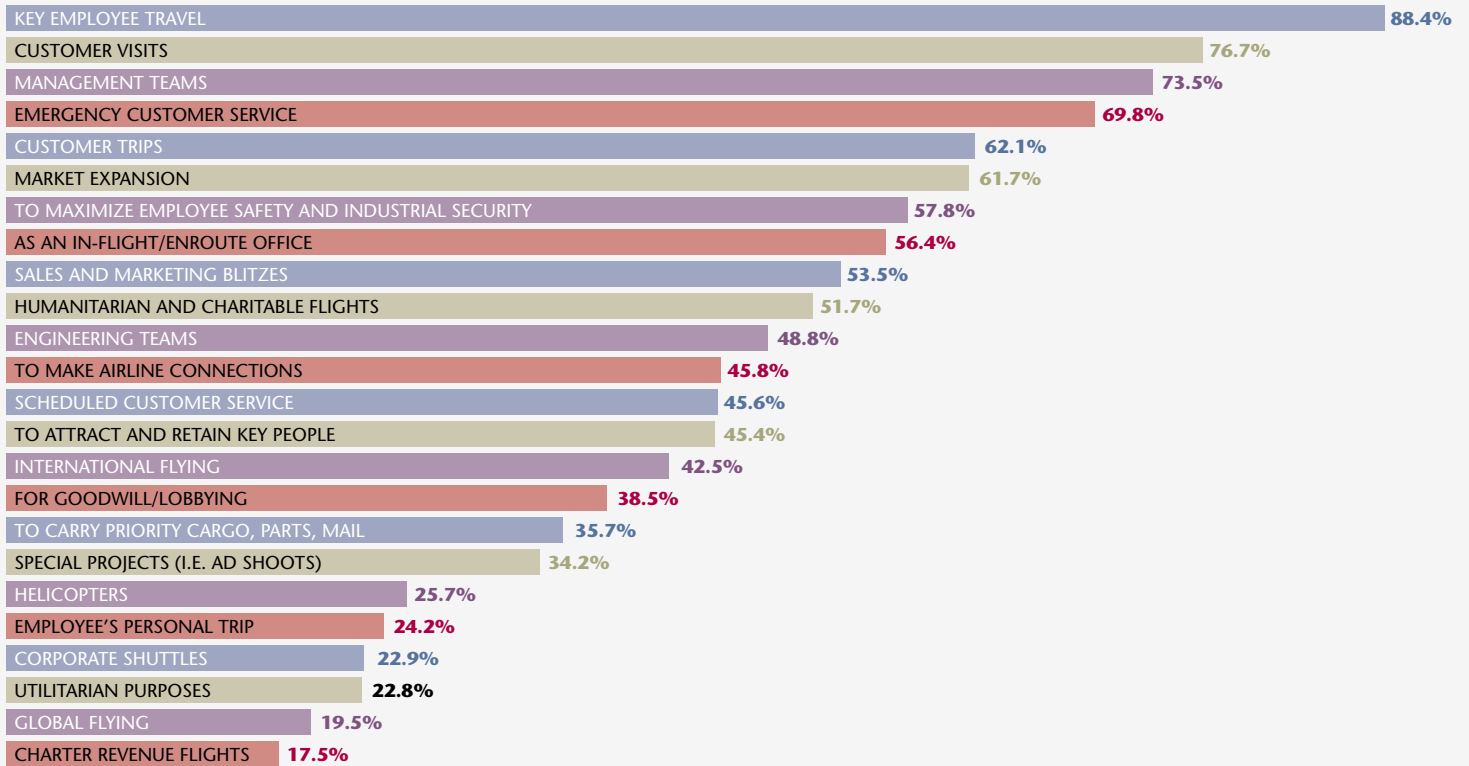
MEDIAN **80.0%**

Top Three Reasons Cited Why Organization's Aircraft Are Operating At Less Than 100% Potential

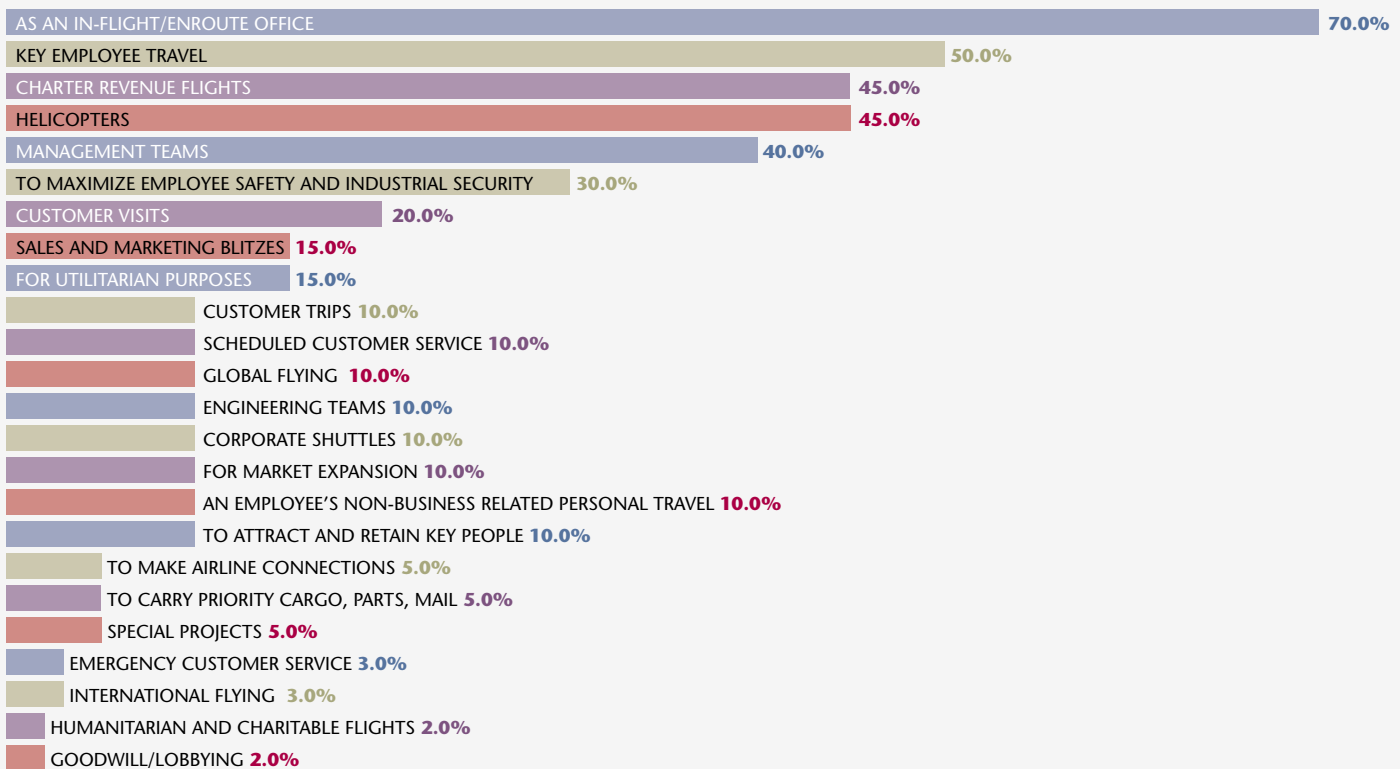


Utilization Strategy Rankings

Percent Of Organizations That Have Ever Employed The Following Utilization Strategies, Ranked By Prevalence

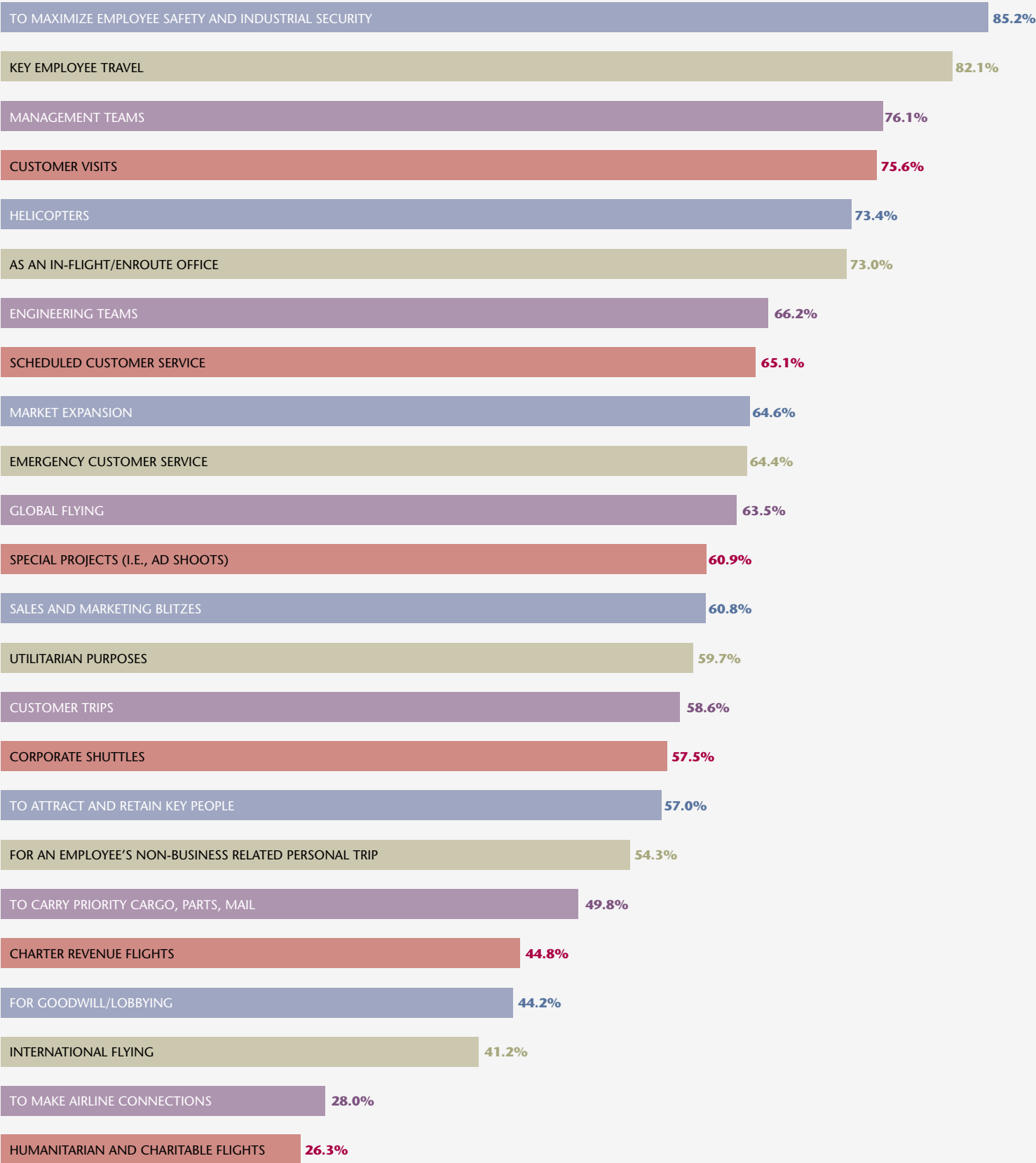


Among Those Who Employ The Following Utilization Strategies, Percent Of Their Operations Using Those Strategies, Ranked By Prevalence:



Utilization Strategy Rankings

Among Those Who Employ The Following Utilization Strategies, Percentage Of Organizations That Identified The Following Utilization Strategies As Having High Importance:





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The Membership is grateful to the following organizations for their contributions to this project:
ACS Industries, Amstat, Aviation Data Service, Business Aircraft Group, Cooling & Herbers, The Corporate Angel Network, The Daymark Group, Ford, Glass Equipment Development, Gulfstream Aircraft, The H.B. Zachry Company, Hewlett-Packard, J.D. Power and Associates, JetNet, Newell Rubbermaid, Ocean Mist Farms, Peavey Electronics, Professional Aviation, Purdue University, The Richards Group, Rite Aid, The State of Nebraska, Steelcase, Townsend Engineering, Wal-Mart and Yates Petroleum.

Text & photography by David W. Almy

Additional information on the use of aircraft
as an aid to the conduct of business may be found at:
www.nbaa.org