

# JETCRAFT & PROJECT PHOENIX

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## Teaming Up for Middle East Expansion

Jetcraft Corporation is one of the largest companies in the US for new and pre-owned business aircraft sales, acquisitions and trades. Now in its 50th anniversary year, it has launched an ambitious global expansion programme, with the recent appointment of sales representatives in Dubai and Moscow. Spear-heading the initiative is Jetcraft's Co-owner and Board-member Jahid Fazal-Karim, who says he's also eyeing other BRIC nations such as Brazil, India and China. *Altitudes Arabia* caught up with Jahid, as well as Mike Cappuccitti, Jetcraft's Middle East Sales Representative and also President of Project Phoenix, to understand how the two companies are working together and supporting each other's business models. **BY Frances Barton**



**Jahid Fazal-Karim, Jetcraft's Co-owner and Board-member**



**Mike Cappuccitti, President of Project Phoenix**

**A** Altitudes Arabia – You established Project Phoenix in 2007 to transform large aircraft into a VIP aircraft. To give us a clearer picture as to how your company fits with Jetcraft, can you tell us more about your business model?

**Mike Cappuccitti** – Project Phoenix is so-called because we renovate pre-owned aircraft on a project or programme basis. Our first project was the CRJ-200. We buy an aircraft from the airline market, where it has been through between 12,000 and 20,000 cycles. We then put it through a very extensive maintenance programme to bring it up to a set of criteria for delivery. After that, it goes into the completions centre. However, it's more than a conversion; it's pretty much a renovation, where we take the aircraft back to the bare metal. Right now, we're looking to do the same programme on an Airbus A320.

**AA** –When you say you renovate on a project basis, do you offer interested prospects your renovation programme as is, based on the aircraft you've sourced, or do you first source the client and tailor your programme specifications to his requirements?

**MC** - We go out and find the individual who might be interested in our product and some come to us, because they're looking for what we've got. We show him our baseline specification, which is a 15-seater VIP aircraft without an additional fuel tank. Basically, what we have is a programme; we don't have a physical aircraft, we go and get one, once we've done the needs analysis with the client. We've already short-listed the aircraft we want out in the market and we know roughly how much they're going to be, roughly what hours and cycles they're going to have and who's been maintaining them. The client does not need to specify an aircraft type. He can have whatever aircraft he wants, because we strip it anyway and he gets a customised interior. Actually, we sell the aircraft first - to the customer - and then we go and buy it, so we don't take a risk.

**AA** - It's been said that the Middle East market has the wherewithal to afford brand-new aircraft rather than pre-owned. Why do you think you have a market for your product here?

**MC** - We're not restricted to this region; we operate worldwide. But we don't have a large customer-base as it's a very niche aircraft. The renovated A320 will cost about \$40 million; an equivalent new aircraft is about \$90 million, so it's roughly half price. One type of client we have is someone who wants to get into the charter business which is all about cost of capital and operating costs. If you can half your cost of capital, that gives you a big advantage against your competitors chartering a similar type of aircraft bought at full price, so your overall operational costs are much, much less. Another type of client is someone who wants a large-cabin, private aircraft but doesn't want to pay nearly \$90 million for it. They come to us, understanding our product is pre-owned, and that's where it becomes very niche, because people, who can afford this type of aircraft of about \$40 million, probably can afford one at \$90 million.

What people don't understand is that an old aircraft makes no difference whatsoever, provided the maintenance is done correctly. The lifespan of the CRJ is 80,000 cycles, or hours, and that's assuming that it's in commercial airline service and it's doing up to 3,000 hours a year.

The interior of the CRJ-200



When you take the same aircraft and put it into a VIP operation, it's likely to do 500 hours a year and, taking the ratio of hours to cycles, about 2:1, that's 250 cycles a year. If I put 5,000 cycles back onto this aircraft, that's a lot of years before it needs any major maintenance, so it's like a new aircraft again. The difficulty we have as a marketing organisation is to convince people of that, because it's difficult for them to understand. I personally flew 50 year-old aircraft, DC3s in Africa and they were from Arnhem, WW11 era aircraft, so I have no mental problem at all in flying old aircraft.

In fact, most people who use commercial airlines are quite likely to be flying in an aircraft that has 60,000 cycles on them and are 20 years old, and they don't think twice about that. Why would they do so flying privately? Provided it has proper maintenance, is properly certified and has a high quality interior and finish, they wouldn't know the difference. However, the majority of people are going to still see an old aircraft. That's where Jetcraft comes in, because when I hear that, I can offer them a new aircraft or another aircraft type from the Jetcraft inventory. We've teamed up with Jetcraft because we can satisfy the needs of the people we talk to, even if they don't want the Project Phoenix product.

**AA** –Jetcraft completed 45 transactions in more than 20 different countries last year. The majority of these transactions were for long-range, super-large and large business jets. With your background in sales, Jahid, did you immediately see the opportunity of establishing Jetcraft's presence internationally when you bought into the company or was it a case of the company bringing you on board to expand its operations overseas?

**Jahid Fazal-Karim** – I was working for Bombardier as Senior VP Worldwide Sales in the business aircraft division and left to become independent. It was a personal project of mine to be an entrepreneur by the time I turned 40. At that time I was 38 and I felt it was the right time to become independent. When I left Bombardier in February 2008, I became very active in the market but I very quickly realised



that, with the volume of transactions I was handling, I needed a good structure behind me to be more efficient. Of course, I knew the Jetcraft owner and he had approached me at that time to possibly work for them. However, I opened up the possibility of forming a partnership and that is how it happened.

We were able to combine our strengths because Jetcraft was already very strong in the US, with a strong marketing team and a strong structure which is what I needed, and I had obviously a lot of contacts internationally, and I had this plan to make Jetcraft the first, real global aircraft marketing, acquisition and trading company in the private aviation industry. We had a good fit and that's how we got together and I've been working a lot since then on the expansion of the Jetcraft brand and presence outside the US.

**AA – How did it come about that Project Phoenix was appointed Jetcraft's Middle East sales representative?**

**MC –** When Jetcraft began its expansion outside of the US, a mutual colleague saw what they were trying to do and knew what we could do for them. He also knew that we knew each other as we both had worked for Bombardier. Jetcraft saw the benefit of having somebody in-country with the knowledge and the contacts and I saw it as having another string to our bow. We met up at Dubai's Middle East Business Aviation show last December and in January this year we signed the deal for Project Phoenix to represent Jetcraft in the region.

**JFK –** We also had a history, a Bombardier connection, as Mike was VP for the company in the Middle East region. When I joined Bombardier, Mike's partner, Nick Mossa, was a sales support person for Bombardier and I knew him well. So it was a little bit of history, connection and trust and, obviously, as Mike has been in the region for a long time; he knows how the region works and he's got the contacts. We ended up agreeing on an arrangement and I'm very happy about it because I think they are the right fit for Jetcraft.

**AA – How does the partnership work?**

**MC –** What Jetcraft provides Project Phoenix is its large inventory of aircraft. We also have access to its market intelligence. It has access to AMSTAT, a worldwide database of aircraft, plus what they call a 'blue book', like Car Trader where it tells you the values and the provenance of an aircraft. Jetcraft also has 'control' of its inventory, which is an exclusive arrangement with the seller to sell the aircraft on his behalf. We are treated as though we are Jetcraft even though we're the sales representative, with full access to that database. The buyer gets exactly the same deal as if he's buying from Jetcraft; there are no add-ons for us. If the Project Phoenix product doesn't match his needs, I can tap into the Jetcraft database and show something that will.

Similarly, we add in a great deal to Jetcraft. I was travelling to the Middle East 20 years ago and living and working here for 15 of them, so they can tap into my contact database and my knowledge of the region. When I talk to potential buyers, 90 out of 100 will not want my product and we know that because we're so niche. Now instead, I can give them something else. I'll also go to see clients purely for Jetcraft business.

**AA – Can you tell us about Jetcraft's expansion plans beyond this region?**

**JFK –** We have an office in Basel and, in addition to Project Phoenix, another sales representative has been appointed in Moscow. Our next step is to be in China because we're quite active already in the country and we want to make sure our brand is present there, so we're looking actively at potential representatives. There's also south-east Asia because that's a market that's picking up as well, and Latin America.


**AA – It sounds like you're targeting the BRIC nations – do you consider the Middle East another emerging market for your business?**

**JFK –** I've always seen the Middle East more as a pretty steady market, frankly. Although Dubai was hit in the latest economic crisis, Saudi Arabia, which is the biggest market, has been more crisis-proof. Today,



The CRJ-200



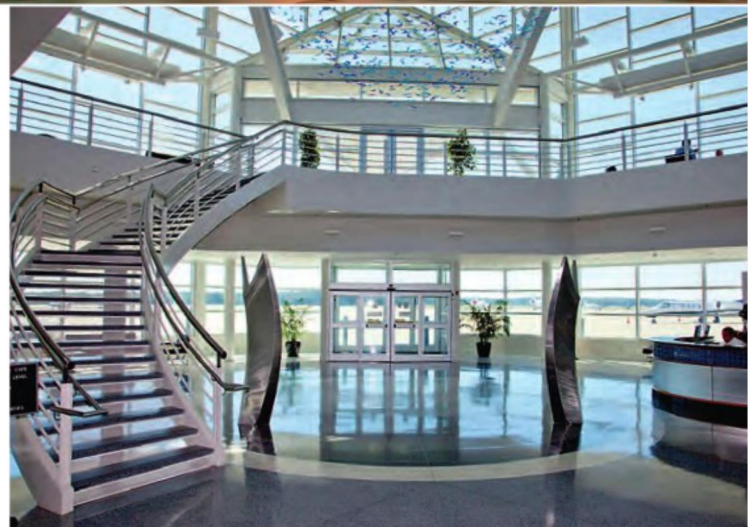


The General Aviation Terminal at Raleigh-Durham International Airport (RDU), where Jetcraft Corporation is headquartered. Jetcraft has a hangar and flight operations also at RDU, separately located on the northeast ramp.

there is a lot of uncertainty about the Middle East but it has always been a pretty steady market to me and one you have to be in. Let me explain the Jetcraft business model. We have to have both buyers and sellers and the Middle East is a source of both; it's a source of aircraft because there's been historically a lot of aircraft flying in the region and people renew their fleet on a relatively regular basis. There are always sellers in the Middle East and buyers because, obviously, they buy aircraft, so it's a good source for both aircraft and customers to buy, so you have to be here. Another plus is that it's close to Africa and we can handle Africa and India from the Middle East office.

**AA – So, are you saying that the business aircraft market is recovering, allowing you to look beyond the region and, with Project Phoenix, eventually expand into Africa and India?**

**JFK -** We're already seeing some good activity from the region generated by Project Phoenix and as our volume expands and we do more business, we can probably use the Dubai office as a platform to handle business out of India and Africa. Right now, we're handling Africa and India business on a case-by-case basis but as activity expands I think it's logical to handle those territories out of Dubai. South Africa is picking up again and places like Angola, Nigeria and Ghana are very active right now. Globally, we are seeing clear evidence of a return to a more stable pricing environment for long-range and large business jets. There has been a significant reduction in the gap between buyer and seller price expectations, due in part to the reduction of distressed assets that flooded the market in late 2008. Additionally, OEMs now have stronger order backlogs, which have reduced the pressure to discount prices on new aircraft. The current recovery is being driven by emerging markets, including Africa, India, China and Russia, where long range aircraft are typically the models of choice. ■



### Jetcraft Corporation – A History

- Founded in 1961
- Celebrating its 50th anniversary this year as a major player in the new and pre-owned business aircraft sales, acquisitions and trading market
- Headquartered at Raleigh-Durham International Airport (RDU)
- Currently has more than 45 jets in inventory
- Sold more than 1,300 aircraft in its 49-year history
- Jetcraft Avionics LLC, a subsidiary, provides distribution of Enhanced Flight Vision Systems (EFVS) for aftermarket business and wide-body aircraft, using Elbit-Kollsman's EVS-II and AT-HUD