

Planes, Trains & Nina & J



A Conversation with Thomas Flohr

Granted the headline is a slight cheat even though I usually travel to Monaco by train. It's quick, efficient (when not on strike) and relatively painless. Thomas Flohr, founder and owner of VistaJet, offers the UHNWI something similar, quick and efficient but with a little (in fact enormous) extra: a predicable, ultra-high-quality service in a fleet of identical group of jets. This is rather than charter someone else's jet when they don't need it. We chatted in Monaco aboard *Nina J* about yacht and plane ownership and the private jet industry. *Nina J* is Mr Flohr's 42.2-metre Baglietto, which in common with the livery and interior of his planes came from the eclectic and unusual studio of Ivana Porfiri.

Eclectic is a fair comment and though I cannot be totally sure, but I imagine *Nina J* (below) is the only yacht with a bulkhead, which has a real growing garden. (One can only imagine what issues it would cause sailing into California or for that matter Australia.) It has a modern comfortable yet uber-chic interior. Unlike many that could be thus characterised, it is one that stands the test of time and use. Built originally in 2005 it looks as though new today. That is of course a testament to Thomas' long-standing crew and their Croatian captain, but also the ability of the Porfiri Studio to design a look that can be maintained.

TB: *I'm interested in the combination of yacht and jet; they're sort of complementary activities.*

TF: First of all, obviously the owners of yachts are very likely to use private jets – there is a given natural crossover. We find a lot of traffic at VistaJet in the summer flying into the Mediterranean from the Middle East, Russia, England, to go to their yachts. As far as I'm personally concerned *Nina J* is a completely private yacht, so it's nothing to do with business. I don't charter it and I will never will. Since I like the colour theme I branded my yacht and plane fleet the same. It seems to be very recognisable now;

silver jets with a red stripe. That really allowed us to build a brand. You have very strong brandings in the boat business, but in the jet business there was never really a luxury brand, if you think about it. Everybody knows NetJets, but people don't necessarily think of NetJets as a luxury brand, it's more transportation. An air taxi. And they do a good job. What we aimed at is to provide a Four Seasons kind of service, in the air. Not every high net worth individual owns their jet, it's a very expensive asset to invest in, and very inefficient. You invest in a boat or a home; but your aeroplane, once you get from A to B, sits on the ground.



So what we try to offer is in harmony with the luxury lifestyle; if a Russian client drives in his Maybach or Bentley to the airport, from his beautiful home, and at the other end his beautiful boat is waiting, then why go to the yacht in a taxi? He doesn't take a taxi to the airport.

TB: *Ivana also designed the interiors of the planes?*

TF: Absolutely. And we chose the leather together; for example it's a Hermès style leather with stitching – we did two colours, a lighter Hermès colour and then another more brownish one, like a skin colour, along with a

NetJets are a fractional service that allows private jet owners to have their own planes chartered when not needed. VistaJet actually own 23 aircrafts. Thomas's theory is that by all being the same you reach that reliable comfort zone. The age is predictable; no jet is older than four and is sold when out of warranty beyond. The fleet of 23 aeroplanes includes a Learjet 60 (page 80) for Continental traffic, Challenger 605 (page 81) for inter continental traffic, some 8½hrs to New York; and a Global Express (interior shown on page 80, right) in which you can, for example, fly non-stop from Nice to Singapore.

plane might not be to everybody's taste. Secondly, and more importantly, say your operating company finds a charter, Nice to Moscow; now within that five-day period you've got to find a Nice to Moscow, and a Moscow flight back to Nice. More often than not you don't. Now you've got to place it back to Nice empty; that's the inefficiency of the model. What I do is, I don't have to place back to Nice because my planes don't have to come back to an owner. All that has given us tremendous success and brand loyalty.

TB: *I presume, as for a shipyard, the key is having repeat customers?*

How can we offer VistaJets at a better price than NetJets, our biggest competitor? Because we have an identical fleet and we leave the aeroplane wherever the last customer gets off. We don't have a home base and we don't fly back.

very nice carpet – plus the service of the flight attendants and everything else is at a very high level. All that is what allowed us to build the brand and reach the number two spot in our industry (outside the United States), in a five-year period.

I started VistaJet in 2003, by buying a plane for myself because I didn't want to charter from other people anymore. I always felt I was paying too much and for a lousy service. If you pay €10,000 or €15,000 and are in a seven-year-old Citation without any service, you ask is this value for money? When you go to a Four Seasons hotel, versus a Hilton, you don't discuss the price, because you know what you will get. A very similar concept is true for us. So it really allowed us to come from nothing into the number two spot within a five-year period.

TB: *Who's number one?*

TF: Number one is NetJets. They have a lot more planes, and they obviously got into this 23 years ago. But any market needs a number two.

TB: *Given all this it's hard to find a compelling reason to own a jet.*

TF: That's true. But the compromise is – if you really don't care about \$30 million – what you have by owning your jet is (despite it being an incredible waste and if you dislike a silver metallic aeroplane and Hermes style interior) your own style. They might say look, I always want black leather seats; my plane has to be white with a green stripe because that's my corporate identity. How can we offer VistaJets at a better price than NetJets, our biggest competitor? Because we have an identical fleet and we leave the aeroplane wherever the last customer gets off. We don't have a home base and we don't fly back.

TB: *Is that more efficient?*

TF: Absolutely. Can you avoid empty planes? Absolutely not. But the question is how to minimise them. Say you live in Nice and you own an aircraft and you charter it out; you are on holiday for five days so say "charter the plane". First of all, your

TF: Exactly. Especially in a recessionary environment like now, people still fly private and if you have a choice then you'd rather go with a known factor.

TB: *Presumably at this time people are more responsive to charter service rather buying?*

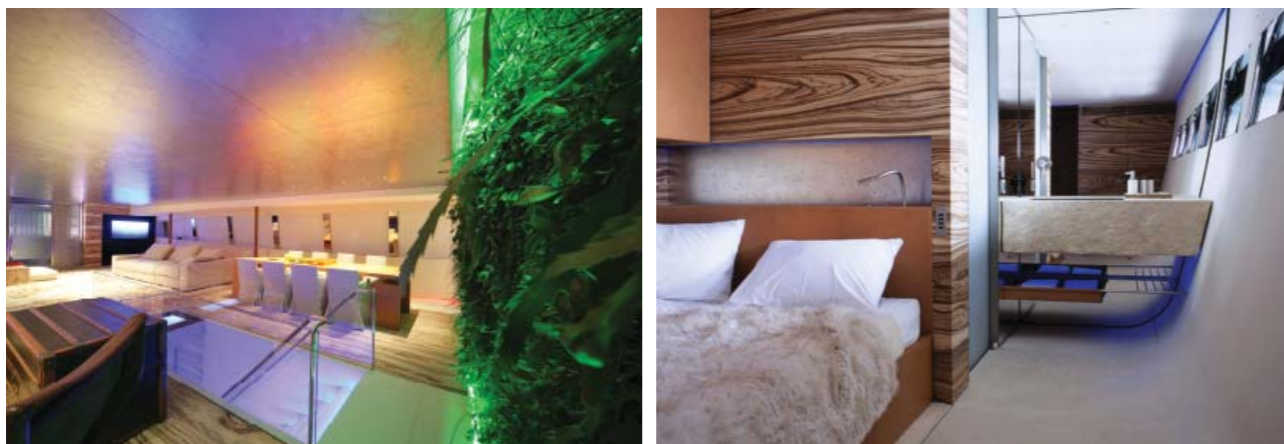
TF: I think you're right. People who maybe a year ago said, "Oh, you know, who cares, I'll buy a second plane and park it in case my girlfriend or my wife needs it"; today say: "Don't send them on a commercial flight, but why not a service where I get a quality product without ownership?"

TB: *You built Nina J four years ago?*

TF: It was ready in August 2005.

TB: *Did you have a yacht before?*

TF: I always chartered. And I never felt that I got the service, and that's why I'm so service conscious on the planes. You must make the client feel like an owner. Don't boss them around – don't touch this, don't do that. Because that's what bugged me in the yacht charter market – you come on a



We fly only brand new aeroplanes. A 20-year-old plane burns 30% more fuel. So I think as an entrepreneur today, you have to have certain principles relating to the environment, and to your employees. It's something which pays off over the long term.

boat, you spend an insane amount of money, €100,000, €200,000 a week, and they're watching you. You feel, "I'm sorry I spilled the coffee, but..."

TB: *The sales market is low but clients want to cruise, and to have fun; that may cause a little increase in the charter market. Is the same happening for VistaJet?*

TF: It's interesting. People are still used to the lifestyle. But they might not want to spend 50 million. Do you see a kind of bottoming of the price of the prices?

TB: *I think yes. Other people say to me no, and others agree. I think the biggest issue with the whole market today is confusion. I also think there's a very unrealistic expectation from clients about new builds coming down a lot in price when you can only squeeze profit margins so much until you reach the part where it's not worth taking the contract.*

TF: Exactly.

TB: *So it's a strange time. And everything's very last minute. Do you find the same?*

TF: Absolutely. Last minute. Everything is last minute. Our forward booking is maybe two or three days forward.

TB: *You have very long-term crew; what is the trick?*

TF: Well, I think first and foremost, you've got to treat them with respect. You've got to treat them with consistency, you've got to hire the right people who fit your profile. And very often owners just take anyone. This is like a €20million company. And I have a CEO, which is the captain. The captain has to look after the asset so he has to have service people – it's

a business. If you and I go tomorrow and build a business with a €20 million asset, we've got to look for the best people and at how we retain them, how we're going to treat them fairly. And in this industry some people are treated like dogs, especially by owners from nations with other cultural backgrounds.

So I think that's key. And I think strong management skills – I don't know, some of these business people, they have strong management skills in their companies but when it comes to crew they don't apply them.

TB: *Did you ever charter sailing yachts? Or has it always been motor?*

TF: I once chartered *Wally B*. It was an amazing experience but even though I love sailing, in the Mediterranean there is either no wind, so you're cruising at 8 knots and you feel ridiculous, or there's too much wind and then you're hanging on like grim death. So I see it as more of a sport. If I had the time I would probably buy a 70-foot sailboat and

take it out when there's a bit of wind. I have been toying around with buying a Perini Navi – eventually. Because I just love the beauty of sail. It's just in a way, the Perini is a compromise, because it's really a motor sailor, not one thing or the other, but I wouldn't exclude it one day. Who knows?

TB: *Presumably this high-speed, relatively short-range Baglietto simply fits the way that you want to cruise?*

TF: It's the Mediterranean. So, is speed that important? Frankly speaking maybe yes, maybe no. But if you want to get from Monte Carlo to Ibiza non-stop in a day then it does matter. Leave at 0600 and by 2100 you're in Ibiza. People talk about the fuel burn; what they always forget it this burn is about 1,100 litres per hour. And a displacement boat burns 450 litres per hour but takes twice as long! So what's the big difference?

I was thinking of building a 75-metre boat, and it was Ivana who said to me:





"Thomas, we can do it, I'm happy to do it. I make money, but do you really need this in your life?" What you have to reflect on is that you're going to be busy for the next four years trying to build this boat, going to the shipyard, arguing with people, and then its four years of your life you haven't enjoyed; because you are managing the process.

TB: It's also I think about the compromises that size implies.

TF: Yes, I know. That's exactly it. It's bigger and bigger and more, and for what?

So we'll see. Right now I'm extremely happy with this one. And every time I test myself, every time I am aboard, I'm as happy as on the first day.

TB: When you were thinking about a 60- or 70-metre project was it to be high speed?

TF: We studied that, the last year and a half, and we discovered that at the end of the day (and *Silver* proved that length versus speed issue) by looking at the compromises we have to make to achieve that extra 5, 6, 7 knots when you're chasing the knots between 24 and 25, you could use huge gas turbine engines, or something like that, but I think is not right anymore in today's ecological environment. And I think you can do a wonderful displacement boat at 18 or 19 knots. I think that concept, of a fast boat tops out at maximum 45 or 50 metres.

TB: The cost in every sense is so enormous and just the weight control on a 60-metre fast yacht...

TF: That's a major issue. Yes. And we went for a similar size as *Silver*; basically a *Nina J* at 60 metres and we started arguing about what millimetres

of aluminium thickness there should be. I said, "Guys, I'm not going to spend €30 million or €40 million so we argue to death about this." I said, "A vessel of that size should be very solid, also on the safety side." And, that's why it tops out at about 45 metres.

TB: Are you aware of the RINA Green Star notation? Is that something that resonates with you?

TF: We fly only brand new aeroplanes. A 20-year-old plane burns 30% more fuel. So I think as an entrepreneur today, you have to have certain principles relating to the environment, and to your employees. It's something which pays off over the long term.

TB: So where do all the old aeroplanes go? Maybe an old plane is cheaper to buy, but it's much more expensive to operate?

TF: If it's one individual owner who says: "I can pick it up for \$10million, I only fly 200 hours, the maintenance is not so high because of that", then it can work. But ours is a commercial operation flying 800, 900 hours annually per plane. That's a factor of four. So the aircraft has to be efficient and always available.

TB: How does the VistaJet product work?

TF: We have two products. One is the simple on-demand version: you pay market price like at the fish market. If there are fish left over you get it for less and if there's scarcity you pay a higher price. And it can happen that we're booked out.

The second product, which is very strongly in demand – especially since people stopped buying aeroplanes – is what we call "the programme". That gives you guaranteed availability. So I must perform and that's 24-hour availability. So within the 24 hours I need to show up and take you anywhere in the world and for a guaranteed price.

TB: So presumably you pay a sort of subscription?

TF: You pay just – this is the difference from NetJets – a guaranteed price per hour and that is not negotiable, it's a fixed price. But you only pay the hours on the aeroplane, not the positioning costs; it's very efficient. The benefit is that one can plan ahead because it's a three-year contract.

TB: So, say I'm going to use this many hours every year and I pay whether I use it or not?

TF: Exactly. It's a hell or high water contract. It gives me the planning security and it gives you the security that I can't walk away if the markets are hot, or cold; whatever happens, you fly.

TB: Are they paying a slightly higher rate than the charter?

TF: You can't say. If on a hot weekend, say 1st May, you want

to fly charter London to Nice, the general market is very booked out, and you pay both ways even though you fly one way. Then when you fly back on the Monday, you again pay both ways.

TB: Whereas the guy in the programme is going to pay only what he's agreed per hour.

TF: The programme pricing is about 1.5 to 1.6 times the one way. That's the statistical price, and it's very competitive.



TB: I'm just wondering if that model could be applied to yacht charter?

TF: I thought about that often and long. The problem first is that you have seasons, which we don't have in the airline business. Then you have idle time so you're getting into very complicated structures. And really again, if you wanted to build a brand, you would need to have five or ten identical vessels.

TB: Yes, that's right.

TF: And charter is not really a business; jets are.

TB: The thing is, whenever anyone tries to have multiple similar yachts, they always move to fractional ownership rather than the model you're talking about. And somehow

fractional ownership has never worked in yachting, ever.

TF: It doesn't work because yacht ownership is too personal. And frankly speaking you don't want to be seen on an identical boat in front of St Tropez. The big difference is yachting is pleasure and the jet travel is a business transaction. And people must travel; they're not staying home in today's world. So if they travel from A to B what are their choices? They have a horrible choice in the commercial market; it's getting worse every day.

I can attest to just how horrible that choice is. And it's clear, though I may never be a client of VistaJet, that the reasoning behind it is highly compelling to an UHNWI. It's interesting to note that Thomas inhabits in two worlds: despite the identical liveries *Nina J* is, as he describes it, an inefficient albeit delightful indulgence. The private jet is only an indulgence in terms of the client's decision to splurge on its use; for VistaJet as operators it is the key to an efficient and highly profitable business.

Tork Buckley
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