THE ARIZONA REPUBLIC

Plane-share program lifts off at airport

By Peter Corbett
The Arizona Republic

A Canada-based fractional-aircraft-ownership company has opened its first U.S. operation in Scottsdale.

AirSprint US Inc. was certified last month by the Federal Aviation Administration to begin flying its shared aircraft and is seeking clients across the Southwest.

It is selling one-eighth shares of two Pilatus PC-12 single-turboprop planes for $485,000 plus maintenance and operating costs.

"It's a value proposition," AirSprint President Chris Richer said. "What we sell is all the benefits of owning your own aircraft at a fraction of the cost."

AirSprint's buy-in and operating costs are not insignificant for its business clients and leisure travelers but are far less than the expense of buying the same airplane and paying for pilots, hangar space and insurance.

The company has hired seven pilots and staff for its Scottsdale base and plans to add 13 more by year's end.

In addition to the fractional cost of buying the plane, clients pay $9,650 per month in maintenance, hangar and ramp fees, plus $1,300 per hour of flight time. Those latter two expenses add up to $245,800 annually for 100 hours of flight time.

U.S. clients can books flights with eight hours' notice within a regional service area that includes Arizona, California, Nevada, Utah, Colorado, New Mexico, Oklahoma and Texas.

AirSprint chief pilot Gary Waldron puts a protective cover on the angle-of-attack indicator on one of the company's planes at its new base at Scottsdale Airport. CHARLIE LEIGHT/THE REPUBLIC

The Pilatus can carry up to seven passengers with two pilots and has a comfortable range of 800 to 1,000 miles, Richer said.

Air speed is about 300 miles per hour, while light business jets travel at close to 450 mph, said Orin Anderson, AirSprint director of business development.

The Pilatus cabin with comfortable leather seats "can be your living room or your board room," said Anderson, adding that the Swiss-built aircraft is the "elegant workhorse of private aviation."

Fractional aircraft ownership, which got started with NetJets in 1986, is one of the many options for business travelers other than commercial airliners. Air-charter service or pre-paid jet cards that provide a set number of hours of flight service are other alternatives.

AirSprint, founded by Judson Macor in 2000, touts itself as Canada's first and largest fractional-ownership-aviation company.

It has 23 aircraft in Canada, 85 pilots and 135 employees with bases in Toronto, Montreal, Calgary, Alberta, and Kitchener, Ontario.

AirSprint's Canadian fleet includes eight Cessna Citation XL/S business jets.

Macor, who has a home in Scottsdale, is spearheading the company's expansion into the Southwest.

Business aviation has been buffeted by the recession over the past few years and is currently under fire in Washington.

AirSprint weathered the economic slump with some loss of business but other companies chose to downsize from full- to fractional-ownership of aircraft, Richer said.

AIRSPRINT

Address: 14700 N. Airport Drive, Suite 114, Scottsdale.

More information: 877-588-2344 or airsprint.com.

"It's a little like entry-level business aviation," he said.

Now President Barack Obama has taken aim at battling the nation's deficit with a proposal to end a tax break for corporate-jet owners.

A policy change would diminish annual tax write-offs for business aircraft by extending the depreciation schedule for business aircraft from five to seven years, said Dan Hubbard, a spokesman for the National Business Aviation Association.

He criticized the president for trying to "score cheap political points" by vilifying business aviation as an extravagant perk for executives.

Much of the travel on private business aircraft involves sales and support staff or management teams flying to one or more remote cities not served by commercial travel, Hubbard said.

The change would hurt the $1.5 billion business-aviation industry at a time that it is just starting to recover, he said.

Richer said he expects "it's going to be a long, slow recovery" for business aviation.

WHAT THEY'RE BUYING | Staples, Templeton Global Bond, H.J. Heinz, VF Corp., Raytheon

Casey Van Zutphen
Delta Ventures Financial Counsel Inc., Mesa

Sees the stock market in a trading range, with prices affected by debt negotiations and other news.

Van Zutphen looks for dividend-paying companies with strong balance sheets and global operations. Favorites include Staples (SPLS), Cisco Systems (CSCO) and ArcelorMittal (MT), the world's biggest steelmaker, plus Templeton Global Bond (FGBRX).

Adrienne Lee Seybert
First Financial Equity Corp., Surprise

Sees higher interest rates ahead, reflecting massive federal debt issuance, the end to the Federal Reserve's QE2 stimulus program and further recovery for the economy.

She recommends not holding long-term bonds and has mainly been investing in dividend-paying stocks. Favorites include H.J. Heinz (HNZ), Johnson & Johnson (JNJ) and VF Corp. (VFC).

C. Angus Schaal
Tandem Wealth Advisors, Phoenix

Schaal cites several signs that the stock market's recent selloff might have ended. Still, Schaal expects the market's resilience will be tested in coming weeks as companies report quarterly earnings.

He likes Kraft Foods (KFT), office-supplies retailer Staples (SPLS) and defense contractor Raytheon (RTN).

— Compiled by Russ Wiles

Exhibit teaches kids about math through money

Science Center drew ideas from banking

By Russ Wiles
The Arizona Republic

When officials at the Arizona Science Center pondered a new exhibit for teaching kids about math, they drew their inspiration from the world of banking.

"We wanted to show them how to apply math to things they do every day," said Chevy Humphrey, the center's president and CEO. "Finance is a good route to take because you can't survive without money."

The result was the new "Making Sense of Your Dollars and Cents" exhibit at the Science Center in downtown Phoenix. The exhibit is built around a small teller window, with an ATM for kids, a board for budgeting, an abacus and a few other features.

"It's all designed to be interactive," said Cree Zischke, a regional philanthropic executive at JPMorgan Chase, which underwrote the bilingual exhibit with a $350,000 grant.

The exhibit, about the size of a large bedroom, opened Friday.

It's mainly designed for kids in grades 4 through 8, Humphrey said.

Keeley Erickson, a 9-year-old Chandler girl, gave the new exhibit a thumbs-up on its first day.

"It shows you how to make smaller bills into bigger bills and how to spend," she said after playing at the mock teller window. "And you can write your own checks."

The finance exhibit will be a permanent part of the 14-year-old Science Center, which logs about 500,000 visits from kids each year, Humphrey said.

Reach the reporter at russ.wiles@arizonarepublic.com.

Investors seem unfazed by possibility of U.S. debt default

WILES
Continued from D1

Another possibility is investors think that hitting the debt ceiling won't necessarily trigger a default.

Reaching the limit would mean the government no longer could sell more bonds to pay all its bills, but that's not synonymous with defaulting, which is a narrower definition that relates to the failure to pay interest or principal as due.

Although the Treasury has warned that the Aug. 2 deadline will trigger a default, critics contend that Uncle Sam is still bringing in reams of money, with revenue averaging nearly $200 billion a month so far in fiscal 2011.

The problem is that Washington is spending even more — $300 billion a month on average this year, of which monthly interest payments have averaged more than $40 billion.

If new debt couldn't be sold to fill the gap, political leaders would need to cut spending, boost taxes or both.

Though it has warned otherwise, some observers believe the Treasury could continue making interest and principal payments by prioritizing cash inflows for that purpose.

Debt-ceiling bickering is nothing new. Politicians have raised the limit dozens of times over the years, often in 11th-hour deals.

Through it all, the government has never defaulted on its debt, and for good reason, as that would trigger a chain reaction of spiking interest rates, ballooning borrowing costs and other ills that would seriously harm the economy.

"I don't think a default is even possible," said Scottsdale financial adviser Jay Penney, noting that the fallout from such a move would be devastating.

He recently wrote an open letter to President Obama imploring him to reach a political solution with Republicans.

Even if quickly fixed, the stigma would linger.

"Once it happens, even if only for a very short-term, the legacy of default would be there," Kaufman said.

A more probable danger is a downgrade or lowered evaluation of the country's creditworthiness. While not as drastic as a default, a downgrade also would roil the markets, trigger higher interest rates and hurt the economy. Rating agencies Moody's and Standard & Poor's have issued warnings to that effect.

In the absence of a political solution, Penney thinks a downgrade could precede the Aug. 2 debt deadline.

"It would reflect all the dysfunction (in Washington), the fact that we really don't have a plan for meaningful debt reduction."

Kaufman also sees a sharply negative financial-market reaction as a strong possibility within the coming week or two. Stocks could get pummeled, and the damage could spill over into the bond markets.

Meanwhile, we have this paradox: Even though government debt caused the current mess, government-debt securities continue to benefit from it.

Despite all the anxiety triggered by Washington, investors still cozy up to Treasury securities when the going gets tough, not bonds issued by France, China, Mexico or others.

"It's very difficult to figure better alternatives," Kaufman said.

European governments are having their own debt woes, he said, while financial markets in most other regions just aren't big and trusted enough to assume the role of safe havens.

"Most of the world's savings are in emerging economies, where financial markets are primitive and social safety nets are nonexistent," wrote Jack Ablin, chief investment officer at Harris Private Bank.

"While countries like China, India and Brazil have done a remarkable job creating income for their citizens, they have not been able to develop a credible financial receptacle to accommodate their savings."

Global demand for Treasuries, Ablin said, allows "profligate" governments to keep their interest costs low "as long as their credit is believed to be sound."

So far, investors haven't blinked.

Many, like me, are people who have read in financial textbooks over the years that Treasury securities are the safest investments on the planet, the starting point from which all other risk/return trade-offs are pegged.

Let's hope we won't reach a point where academic theory faces a stern real-world test.

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DEBT-LIMIT INCREASES

Spirited political debates over raising the federal debt limit are nothing new. Here are some recent hikes and the new debt ceiling taking effect at those times:

Year	New debt ceiling
April 1993	$4.4 trillion
March 1996	$5.5 trillion
March 2002	$6.4 trillion
Sept. 2007	$9.8 trillion
Feb. 2010	$14.3 trillion

Source: Congressional Research Service

> *"You'd expect, at some point, the markets would react. In a sense, it makes no sense."*
>
> **HERB KAUFMAN**
> Professor emeritus of finance, ASU's W.P. Carey School of Business, on how government's budget woes have had little effect on Treasuries

THE 'D' WORDS

These terms are taking center stage amid Washington's financial crisis:

Debt-limit deadline

This is the date (Aug. 2) after which the federal government won't be able to sell more bonds and other securities to pay its bills.

Downgrade

This is an action in which firms such as Moody's and Standard and Poor's lower their evaluation of a bond issuer's creditworthiness. The federal government has a top triple-A rating, but a cut to double-A seems possible.

Default

This is the failure by a bond issuer to make interest and principal payments as due.