The charter market, according to the many companies interviewed for this special report, is in relatively good shape. While competition remains strong, many operators that fly large and long-range jets on international trips say that business has never been better, despite the challenges of operating in countries with marginal general aviation infrastructure. To meet the needs of a growing customer base that is willing to pay the high cost of traveling by business jet, most of these operators are adding aircraft, with Gulfstream’s new G650 a popular choice, along with Bombardier’s Global 5000s and 6000s, Falcons and BBJs.

Charter is still a significant segment of the general aviation industry, and if China’s recent granting of an air operator certificate to NetJets for its Mainland China charter operation is any indication, further growth in worldwide charter flying is a most likely outcome.

U.S. charter market rebounds, while Europe’s still struggles

Mirroring the global economy, the U.S. charter market continued its mild recovery during the past year, while activity in Europe stalled. According to Argus International, the number of Part 135 flights in the U.S. grew 5.5 percent, led by an increase in flights on large-cabin jets (8.2 percent), followed by midsize (7.0 percent), small-cabin (5.9 percent) and turboprop (3.2 percent) aircraft. Though still off some 19 percent (for combined Part 135 and Part 91 operations) from its pre-recession high, charter activity “month over month is going in the right direction,” said Argus president and CEO Joe Moeggenberg. Business, rather than leisure, travel is leading the growth, according to route analysis by Sweden’s Avinode—a positive sign for the industry.

Conversely, the struggling European charter market is being propped up by leisure travel, according to the route analysis. Large-cabin jets have enjoyed a surge in demand, increasing by 10 percent year-over-year, according to...
Avinode, but the boost hasn’t been enough to make up for the sharp decline in bookings on smaller cabin aircraft. The Ukrainian conflict and resulting sanctions imposed on Russia are also affecting the European charter market, though the impact is “not huge,” according to Magnus Henriksson, Avinode’s Business Intelligence business manager. Charter traffic between Ukraine and Europe is down 26 percent from January to August of this year compared to 2013 and the trend is accelerating. Meanwhile, charter flights from Russia to Europe grew 6 percent in July. (Sanctions likely have more of an impact on individuals who own their own aircraft; Part 91 flights from Russia to Europe declined 5 percent that same month.)

**FACTORS SHAPING THE MARKET**

Charter professionals note several trends taking hold behind the macro factors driving the charter market. Political instability and natural disasters have created demand for customized evacuation planning services. “Every two or three months, you’re looking at some evacuation situation,” said Graham Davey of international broker Air Partner.

Efforts to create voluntary standards remain a priority for the charter broker community, said Scott Bickford, chair of the Air Charter Association of North America. Meanwhile, a growing number of providers are launching online portals to automate charter bookings, which could cut brokers out of the transaction loop, with the ultimate goal of reducing costs and increasing efficiency for both operators and charter customers.

The industry’s lack of efficiency ranks among the greatest challenges facing the charter market today, said Moeggenberg.

“One of two things has to happen in the overall charter industry: either the rates need to go up a bit, or the operators need to get utilization up,” said Moeggenberg. “It’s still about 30 percent deadhead [flights].” One potential solution: “The charter industry needs to take a close look at taking a page from the air carriers, and set up true code-sharing partners,” enabling operators to book each others’ aircraft, and allowing more efficient use of available lift, he said. “The technology is there to do that.”

Though not on the level Moeggenberg envisions, operators have indeed been forging relationships (e.g., the TWC Aviation-XOJet Platinum Partnership), as have brokers with select operators, to secure access to in-demand aircraft models. XOJet, which unlike most other operators owns its own fleet, also reflects another emerging trend by “basically focusing on the B to C [business to consumer] market,” Henriksson said, and using technology to reach potential customers, while bringing transparent pricing to the charter space. Said Moeggenberg, “Operators I know are going toward that [transparent pricing] model, so when
a customer calls for a particular trip, the quote is firm. If it’s $30,000, it’s not going to be ‘$30,000 plus catering, plus landing fee.’ Operators are saying, Here’s what it is, period, end of story.”

Jet cards have been giving a boost to the charter market as the products have become more diversified and charter customers are more adept at deploying them. “Most customers today don’t have one single source of lift in their private aviation portfolio,” said Mike Silvestro, CEO of Cleveland-based Flight Options, which offers jet card, fractional ownership and membership products. “To have a jet card in your pocket is a great way to contribute to the private flying solution.”

Flight Options owner Directional Aviation Capital (DAC) has been driving trends in its own right, starting with industry consolidation. Two years ago DAC purchased Sentient Jet, the Braintree, Mass.-based charter broker, and late last year completed the purchase of Flexjet, Bombardier’s charter, jet card and fractional ownership program. This year DAC removed the aircraft—a Global 5000—is based in Hong Kong and managed by sister company NetJets China (Hong Kong) Ltd.

NetJets Business Aviation is owned in part by NetJets, Hony Jinsi Investment Management (Beijing) Ltd. and Fung Investments. The charter and management service will operate under the brand name Executive Jet Management China, reflecting NetJets subsidiary Executive Jet Management’s charter/management expertise.

The CAAC’s issuance of the AOC means that NetJets Business Aviation can pick up and drop off charter customers within Mainland China instead of just between China and other countries. Hansell expects charter customers to include Chinese nationals traveling within China and international travelers who fly commercially to China then fly on NetJets charters inside the country. “We’re really looking forward to hitting the ground running,” he said.

NetJets anticipates being able to sell block charter to Chinese customers, then management services when approval is granted. “At some juncture we hope to offer fractional flying in China,” Hansell added. “It’s our view at the moment that a true fractional experience is probably a bit premature.”

Regarding operating in China, he said, “The Chinese air system is less flexible than what you would experience in the U.S. and Europe. It can take sometimes a day or two to get approvals, particularly if you’re dealing with flight-plan filing and customs clearance. We look forward to them being more flexible.” —C.E.
Long-range flights boost demand for large-cabin jets

International charter “is a substantial segment of our business,” said Andrew Bradley, president of global sales for Burbank, Calif.-based Avjet, which has more than 45 aircraft in its charter/management fleet, four G650s among them. Of Gulfstream’s flagship, he said, “They’re phenomenal. We’ve had a few growing pains, but Gulfstream has done a fantastic job supporting us.”

A key indicator of the G650s’ popularity and how they are used is that they average 60 to 80 hours a month versus approximately 50 on a G550. “[Customers] are availing themselves of the [G650’s] range and capacity,” he said.

About 70 percent of Avjet’s fleet, which includes BBJs, is based in Burbank, with the remainder in Asia, Europe, the Middle East and two Gulfstreams based in Africa. “Demand is growing,” Bradley said, “particularly in Asia. We’re getting a lot of RFPs to manage airplanes there.”

Jet Edge International, a charter/management company headquartered in Van Nuys, Calif., took delivery of its third new G650 early last month, bringing the company’s fleet to 43 aircraft. “We’re starting to do more in ultra-long-range charter,” said Jet Edge president and CEO Bill Papariella, “and half of our fleet is based overseas.”

Jet Edge’s newest base opened in Tokyo, Japan, six months ago, and based there are two G650s, one G550, one Global 6000 (another is still in completion and scheduled for delivery in the middle of this month) and a BBJ.
Jet Edge’s Hong Kong fleet consists of two G200s, soon to be joined by a large-cabin long-range jet. Jets based in Asia don’t fly as much as their counterparts in the U.S. and Europe, Papariella said, but when they do fly, they log many more hours and fewer cycles because of the long ranges involved. “Ultra-long-range airplanes are extremely efficient,” he said. “The cycles per hour are phenomenal.” In the U.S. these airplanes are averaging 2.9 hours per cycle, while in Asia the average jumps to 4.9 hours per cycle. “We don’t get as many flights, but what you do get is quality. Most Chinese clients want new ultra-long-range aircraft,” he said, “and they’re willing to pay for it.”

Solairus Aviation, with a headquarters office in Petaluma, Calif., and a large base at Westchester County Airport in White Plains, N.Y., celebrated its sixth anniversary this year. The company has seen a large uptick in long-range charter bookings, according to chairman and CEO Dan Drohan. “The majority of our charter is long-range, large-cabin [trips],” he said. But like many charter operators, Solairus’s 30 charter aircraft (out of a total management fleet of about 80 aircraft) can’t fulfill all of the requested trips, so Solairus also buys charter through brokers. The charter fleet has grown 50 percent over the last year, to 30 from 20.

“International travel has grown tremendously for us,” said Solairus v-p of charter sales Paul Class. “Business is increasing for companies globally, and their need to travel internationally has grown.” He added, “We are actively adding airplanes to our certificate and looking to continue to grow,” as demand surpasses the company’s internal fleet.

Clay Lacy Aviation’s charter fleet is more than 50 aircraft strong (out of a management fleet of 82 aircraft), and the company is adding an average of 12 more every year. Recent additions include a G650, two G550s, a Falcon 900LX and a Global 6000. “We are definitely seeing the majority of growth in the ultra-long-range segment,” said Brian Kirkdoffer, president of the Van Nuys, Calif.-based company. Charter hours are up 25 percent year-over-year and revenues more than that, thanks in part to the greater number of hours logged on charter flights flown by the long-range jets.

The Clay Lacy fleet’s many large-cabin jets, which range from GIVs to BBJs, are busy flying transcontinental trips across the U.S. as well as flights around the world. “We’re seeing an increase in travel to Asia and Europe,” said Veriar Collins-Jenkins, vice president of flight services. Clay Lacy also operates light, midsize and super-midsize jets, including four Learjet 35s, Hawker 800s and 900s and five G200s.

An interesting limiting factor for chartering the ultra-long-range jets, Kirkdoffer noted, is that “we run out of crew time before we run out of range.” A flight in a G650, for example, will carry three pilots, one of whom can rest in the approved crew rest area. With three pilots,
the longest charter flight in the G650 is 12 hours with 18 hours of duty, so that limits maximum-range trips. Flights could be dispatched with four pilots, but then another approved crew rest area would have to be carved out of the cabin, in which case a flight could go as long as 16 hours in a 20-hour duty period.

**OPERATORS BEYOND THE U.S.**

Bombardier operator **VistaJet** reports that flight volume grew 21 percent from January through August, with September a record month. Strong growth areas for VistaJet and its globally dispersed fleet include Africa (the fastest-growing region), Asia-Pacific, Russia and the CIS and the U.S. (where it is partnered with Jet Aviation). By year-end, VistaJet expects to have reached its target revenue growth of 20 to 25 percent.

For China-based charter broker **L’Voyage**, activity in China is “definitely growing,” according to Ringo Fan, director of charter sales, but suitable aircraft are scarce. Sales of aircraft in Mainland China dropped after the country’s leader curtailed spending on luxury goods by government officials, but charter demand remains strong. “We often charter aircraft from Europe to operate flights within Asia,” he explained. “There are not enough aircraft here, and European [operators] are a lot more thorough because they’ve been operating aircraft for a long time.” According to Fan, there are only 10 Chinese AOC holders in the country.

Where L’Voyage finds its services are needed is in helping Chinese operators understand the needs of Western customers. “Westerners to fly in China need Chinese aircraft,” he added. “We understand more than the local Chinese operators. It’s important for someone like us to balance out supply and demand.”

—**M.T.**

**Moving beyond the jet card: companies offering more**

**Sentient Jet** is celebrating its 15th anniversary this year and that means the jet card, which the Braintree, Mass.-based company introduced at its inception, is also 15, and recent developments highlight the product’s continuing maturation.

**Magellan Jets** has introduced a “design your own” jet card featuring an online “Build-A-Card” tool. The card provides model-specific access to four categories of business jet (Citation X and Challenger 300 in the super-mid class), and lets buyers construct their cards online, choosing a selection of “perks” and “add-ons.” Options include waived peak surcharges; two free category upgrades; 1.5-hour minimums (compared to the usual two hours); fuel surcharge discount; waived interchange fee; and free catering or free ground transportation. The card was created in response to “cookie cutter” cards that don’t provide buyers the options they need, said Anthony Tivnan, founder and CEO of the Quincy, Mass. broker. Magellan Jets also introduced a 10-hour Hawker 400XP card, aimed at parents who want their child at college to have access to a jet
in case “a family emergency arises, they’re coming home for the holidays, or if they grow homesick.”

**INCENTIVES FOR OWNERS**

Card and on-demand charter provider Delta Private Jets (DPJ) introduced in August, a 10-percent round-trip pricing discount on qualifying flights for its Delta Private Jet Card customers and discounted cross-country rates for super midsize category jets. The discounts apply to select routes between 16 East Coast and five West Coast states, and trim five or ten percent off the published card rate. Calling the card “Our hero product,” Brad Blettner, v-p for sales and marketing, said the Erlanger, Ky.-based company set year-over-year records for the card in June, July and August, with sales up 33, 28 and 76 percent, respectively. DPJ doesn’t release figures on the number of cards sold.

In December 2013 Directional Aviation Capital (DAC), parent of Cleveland-based jet card, fractional ownership, and membership program provider Flight Options, acquired Flexjet, Bombardier’s jet card, fractional and on-demand charter company, but the two programs will remain independent, Flight Options CEO Mike Silvestro said. Revenue hours at both providers are up about 6 percent year over year, he said.

The programs’ leadership has gotten “more sophisticated in terms of pricing model on the cards” and Silvestro promised “you’ll see more attractive pricing,” including off-peak travel discounts, for both companies’ card products in the fourth quarter of this year. Hybrid cards, providing access to two categories of aircraft, are also contemplated, Silvestro said. (Flight Options, Flexjet and Sentient, also owned by DAC, have all turned their on-demand charter business over to Skyjet, a charter broker that DAC resurrected in July.)

One unfulfilled milestone at Flexjet: the Learjet 85, the first all-composite business jet, was scheduled to join its fractional fleet in the fourth quarter of this year, but production delays have pushed deliveries back two years. Customers slated to own shares in the 85 have been “understanding,” Silvestro said, and use the Challenger 300 in its place.

JetSuite, owner and operator of a fleet of Embraer Phenom 100s and Cessna Citation CJ3s, in August dropped the rates its members pay for flights between a selection of popular destinations. The discounts vary based on membership deposit level, which range from $50,000 to $400,000, and lower flight costs from $50 to several hundred dollars respectively. For top-tier members, flights between West Palm Beach, Fla., and Teterboro, N.J., are now $9,999; the Chicago-Aspen route is $17,842; and Nantucket, Mass., to White Plains, N.Y., is $3,899.

“We want to be the dominant player in places where it’s less expensive for us to fly and maintain bases,” said JetSuite founder and CEO Alex Wilcox.

JetSuite also received ISBAO certification this year and renewed its Argus Platinum rating. The company expects 50- to 75-percent growth this year, after doubling annually the previous four years.

Following a major rebranding, Sentient Jet, which sold more than 32,000 flight hours last year, reports that from January through May corporate travel (Monday through Wednesday) increased 10 percent year over year while leisure travel (Friday through Sunday) was up 17 percent. Having recently sold its 1,000th 25-hour card for 2014, overall sales are up 35 percent year over year and revenue is up 20 percent, said Sentient president Andrew Collins.

The company, which claims 4,000 card customers, recently unveiled its second annual “Cardholder Benefits Guide,” doubling the number of travel and hospitality partners to 20, and is scheduled to launch a new cardholder portal late this year. Collins said the new Web portal might ultimately enable customers to make all their charter arrangements online. “We live in an Uber society now,” Collins said. “That’s where the industry is headed, in general.”  – J.W.

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**Emergency evacuation plans become key for operators**

“Right now the world is kind of imploding upon itself,” said Matthew Purton, director commercial jets at Surbitcoin, UK-based broker Air Charter Service, explaining the growing demand for evacuation planning from multi-nationals, non-governmental organizations (NGOs) and charitable organizations amidst a rising tide of geopolitical instability, natural disasters, and now with Ebola, pestilence. This is a marked change from just a few years ago when “a significant number of companies and sectors had the attitude [an emergency requiring evacuation] will never happen to them,” Purton said.

Air Charter Service got into the business during Lebanon’s 2008 conflict, when the company evacuated approximately 5,000 people from the country in two weeks. Evacuation services today aren’t about rounding up an extraction fleet in a time of crisis but rather about preparing in advance for any such contingencies.

“You have to have an exit strategy,” said Graham Davey, emergency planning consultant with Air Partner’s Emergency Planning Division (EPD), which currently provides services to clients in Israel (six companies, 2,000 employees); the Ukraine (five companies, 1,000 employees); Iraq; and other conflict and disaster zones.

Air Partner’s EPD develops an evacuation plan, monitors security and other conditions of concern, and if conditions warrant, effects an evacuation. Price of
the planning portion of the EPD service is in the “mid
to high tens of thousands [of dollars] for a major oil
company, to 5,000 or 10,000 [dollars] for a smaller com-
pany that has just two or three players,” Davey said.

In addition to protecting personnel, having an evacu-
ation plan also demonstrates an organization has dis-
charged its Duty of Care responsibilities, reducing its
legal exposure. (Gatwick, UK-based broker Chapman
Freeborn also provides evacuation services.)

**RISK TOLERANCE**

Experts say an evacuation plan must be consistent
with a client’s risk tolerance, which drives the most
important and difficult decision in a deteriorating sit-
uation: when to get out. When tensions flared recently
between North and South Korea, “we had 1,200 peo-
tle to move for seven companies, we had sourced the
solutions and had everything ready to go,” Davey said.
Should tensions subside, “The client can switch the cap-
off with no charge.”

While some NGOs and charitable organizations typ-
ically remove personnel in the early stage of a crisis,
companies with large commercial stakes may be more
reluctant to extract their people. Typically, “the longer
you leave them, the worse it gets,” said Purton, as char-
ter rates and hull and passenger insurance costs rise
as crises deepen. But if a company pulls out too soon,
“you look skittish to local governments and might
never get your operations back in-country,” Davey said.
With their knowledge of local conditions and exit strat-
egies, evacuation services can maximize the window of
opportunity for evacuees, planners say.

The cost of an evacuation itself is highly variable.
During evacuations from Libya in the Arab Spring, the
cost of chartering an airliner to take about 150 people to
mid- or northern Europe cost approximately $120,000,
Davey said, while putting seven on a business jet to Malta
cost less than $10,000. But following the 2011 Japa-
nese earthquake and tsunami, the only available aircraft
Gatwick-based Air Partner could find was a Boeing 777
that cost “in excess of half-a-million dollars for 200 peo-
ple,” said Davey, calling that “quite unusual.”

Meanwhile, multinational companies “have worked
hard to minimize their ex-pat work force,” Purton said,
“so instead of having to move 200 to 300 people, we’re
moving out just seven or eight.”

Purton believes the need for evacuation services will
remain strong. “The security situation has changed
so much, with the violence and insurgents in the Mid-
dle East and Africa, every two or three months you’re
looking at some evacuation situation.” And that’s before
accounting for natural disasters. “The last time we had
[volcanic eruptions in] Iceland, we did two years’ worth
of business in two weeks,” he said.

—J.W.
Asset-ownership model works under the right circumstances

It has long been asserted that no charter operator can succeed financially if it also owns the assets—the aircraft—that make charter flights possible. Aircraft are, after all, extraordinarily expensive, maintenance costs may start out low but grow quickly and a worn-out aircraft at the end of its useful charter service life retains a small fraction of its value. Making this all work while facing strong competition from charter operators that use aircraft from owners who hope to earn a little to offset their operating costs seems like an impossibility. Yet, the ownership business model persists, and here are some charter companies that are enjoying a measure of success.

• **Travel Management Company (TMC), Elkhart, Ind.**—TMC owns the 70 aircraft in its charter fleet (they are owned by the company’s owner). “It is working,” said Scott Wise, president of TMC. “I think it takes somebody with some deep pockets,” he added. “We don’t have any debt, and especially when you go through times like 2008, it helped us to have no debt and a new fleet, too. Most customers continue to fly our aircraft because they are newer.”

To keep the aircraft appealing, TMC constantly refurbishes and updates the fleet, which includes Hawker 400XP, 800XP, Challenger 604s and a King Air 200. Beginning next year, the 400XP will run through the remanufacturing line at Nextant Aerospace, which will turn the jets into 400XTi with new Williams International engines, Rockwell Collins Pro Line 21 avionics, fresh interiors, new paint and a host of reliability improvements. At some point, the 604s will be replaced by 605s, but many of the current jets undergo refurbishment on a regular rotation, with 25 to 30 scheduled over the past summer. “If it gets below an eight out of 10, it requires something,” Wise said.

For the ownership model to work, Wise explained, there are two key factors: buying the airplane for the right price and high utilization. “We want these suckers to fly,” he said. Buying right means not ordering new aircraft but picking them up three to five years old when they are still in excellent shape but far less expensive than new. “A 2014 Hawker is going to do the same thing as a 2003 Hawker,” he said.

• **JetSuite, Santa Ana, Calif.**—JetSuite’s owned-fleet business model has a significant upside, according to CEO and founder Alex Wilcox. “We can offer a much more reliable product,” he explained. “There is no owner or operator approval required,” as is usually the case for owners that provide an aircraft to a charter/management company. “But that also means that you have to fly a lot,” he added, to make the finances work. Another benefit is that pilots work for JetSuite, not the aircraft owner. “Our pilots’ only mission is our customer.”

JetSuite’s fleet of 12 Embraer Phenom 100s and eight Citation CJ3s has no home base, which also helps make the model work. “The whole concept of coming home drives up empty legs,” Wilcox said. Thus the JetSuite fleet runs about 27 percent empty legs, a small number in the charter business. Another factor that aids that high efficiency number is that JetSuite doesn’t guarantee to pick up a member within a certain time period. If JetSuite can’t fulfill a requested trip, it will simply tell the customer that the trip is not possible, instead of chartering an expensive replacement from another operator. Most of the time, Wilcox said, a JetSuite jet can be available, just not always at the time the customer specifies.

The Phenoms average 100 hours a month and the CJ3s 80 hours a month for a fleet average of 3.5 hours a day. While this is working for JetSuite, Wilcox, who has an airline background, admits, “That’s pathetically low compared to the airlines.” JetSuite uses BoldIQ’s real-time optimization software, which was originally developed by DayJet founder Ed Iacobucci.

• **VistaJet, London, UK**—“We wholly own our fleet,” said VistaJet chief commercial officer Ian Moore. “We position them where the newest customers will be rather than at a fixed base.” The VistaJet all-Bombardier fleet should reach 45 jets by year-end and includes Learjet 60s, Challenger 350s and 605s and Globals. The Learjet 60s are currently being phased out of the fleet.

The company counts on the combination of several factors to make its business model of owning the aircraft work. “Traditional operators are just an extension of aircraft management, so they offer spare capacity for charter,” Moore said. VistaJet does guarantee availability to its Flight Solutions Program members, but it also places any spare capacity not needed by members on the open charter market, which helps keep the airplanes flying and full. “It’s important in a fixed-asset environment to fly as much as you can, to get the fixed costs covered. Everything after that is positive,” he said. “Because we don’t have to go back to a home base, we can optimize the fleet and hopefully find a customer in between [flights for members].”

Another key factor for VistaJet is that it operates its aircraft only until the manufacturer’s warranty runs out, Moore said, “then we would look to sell it. This has unified
Charter ‘airlines’ find niche providing regional services

All-you-can-fly membership charter firm Surf Airlines (Surf Air) is poised for rapid expansion, after having placed an order for 65 (15 firm, 50 options) Pilatus PC-12 NG turboprop singles. Most recently, Surf Air announced an expansion of its scheduled service to Carlsbad, Calif., which begins on November 18, and to Oakland, Calif., beginning December 15.

Surf Air took delivery of the its first three new PC-12NGs in September, doubling the charter airline’s fleet, and plans to take delivery of nine more PC-12NGs next year. “The addition of both Oakland and Carlsbad is just the beginning of the exciting growth opportunity and expansion plan for Surf Air,” said Surf Air CEO Jeff Potter. Additional destinations planned as Surf Air adds more new PC-12s include Santa Ana, Sacramento, San Diego, Monterey, Palm Springs, Sonoma, Mammoth Lakes, San Jose, Bakersfield and San Luis Obispo (all in California).

Surf Air memberships start at $1,750 per month, plus a one-time $1,000 initiation fee, and members can then fly as much as they wish on the routes that Surf Air flies in its fleet of PC-12s. Members, however, can book two, four or six reservations at one time, depending on the membership level. Reservations can be made from 30 seconds to four weeks before a flight, and there are no additional fees for baggage, reservations changes or cancellations.

The routes flown are generally between the San Francisco Bay Area and the Los Angeles metropolis, but using smaller airports not served by larger airlines. In the San Francisco area, Surf Air operates from San Carlos Airport, with routes to Santa Barbara and Hawthorne and Burbank (Los Angeles locations) and Truckee (near Lake Tahoe).

“We’re looking forward to expanding our footprint,” said Potter. “We anticipate seeing ourselves in other regions of the U.S., as early as next year. We’re confident this can be replicated very easily whether it’s in Texas, the Northeast, Florida or [elsewhere]. We understand enough about the model so it will work efficiently across many different regions.”

Another small charter operator, Boutique Air, is flying routes in Texas in the Pilatus PC-12. Instead of a membership, Boutique Air sells travel by the seat hour ($188) on up to three daily flights between Dallas and Clovis, N.M., or one of eight seats at $1,500 per seat per hour for regular charters.

SeaPort Airlines, headquartered in Portland, Ore., has taken the single-engine turboprop airline business model to the next step, flying Cessna Caravans and Pilatus PC-12s on routes all over the U.S., but at larger airports than Surf Air. The airline’s strategy is to connect “small and rural communities with national air transportation via large hub airports,” essentially serving as a replacement for regional airlines that no longer fly to smaller communities.

SeaPort recently added new service from Burbank to San Diego, Calif. Other routes are offered in Alaska (where the company was founded as Wings of Alaska in 1982), Texas, Arkansas, Kansas, Missouri, Tennessee and Oregon, and service is planned in Mississippi, Alabama and Mexico.

—M.T.
Argus proposes new standard

The charter brokerage community’s search for best practice benchmarks for establishing voluntary broker standards continues, notwithstanding the DOT’s notice of proposed rulemaking, released late last year, for instituting industry regulations. “Reputable brokers, operators and consumers would all benefit from broker standards, if they can be verified,” said Scott Bickford, CEO of Air Planning and chair of Acana (Air Charter Association of North America), which has led a push for broker self-regulation.

TWO CERTIFICATION LEVELS

In August Argus International, the aviation data and auditing services provider, working with the Baltic Air Charter Association (BACA), unveiled its Certified Charter Broker program, which it hopes to make the industry standard. “We felt the timing was right to add this to our suite of auditing programs,” said Joe Moeggenberg, president and CEO of Cincinnati-based Argus.

The audit program identifies 10 “Standards of Excellence” in areas including passenger safety and security, hiring and training practices; compliance with regulations; customer service; and mechanisms for handling disputes. The program establishes two levels of certification: an Argus Registered Broker and Argus Certified Broker. Registered brokers must submit documentation and pledge in writing annually to comply with the program standards. Certified brokers additionally undergo an on-site audit at two-year (maximum) intervals. If the broker has operations at multiple locations, a certified broker auditor will conduct on-site audits at at least 51 percent of the locations.

In addition to meeting the program’s 10 Standards of Excellence, all applicants must document their requirements for vetting charter operators and their process for assessing operators’ service performance on a trip-by-trip basis. Registered and Certified brokers will display on their websites a “click-through” banner noting their Argus affiliation that can take site visitors directly to the Argus Broker site to confirm the brokers’ status.

Pricing is not yet finalized. Larger firms—those with more than 10 employees and/or more than one location—will pay more than smaller brokerages. All pay a one-time $250 application fee. “About 40” charter brokers are signing on as launch customers, Moeggenberg said, including some BACA members.

“We’re just finalizing what we would call Europeanization” of the program, said BACA chairman Tony Coe, calling his organization’s adoption of the program “imminent.” The Air Charter Safety Foundation (ACSF) has also thrown its support behind the initiative. “We fully support programs such as those created by Argus and other reputable organizations that set and validate standards to help separate quality brokers from others,” said ACSF chairman Dave Hewitt.

Argus provided a demonstration presentation to Acana board members, seeking the organization’s approval. Said Bickford, “Many brokers may be wary of audit programs that are ‘pay to play’; that is, the more you spend, the higher the rating that your company receives, all without any real auditing. Based on the criteria that we were shown, the Argus audited program falls well outside of this category.” Board members who viewed the demonstration found the standards meaningful and the criteria relevant, Bickford said, adding, “However, we cannot say the same for any product that Argus may offer that does not include an audit component.”

Despite the demonstration and the merits of the program, Acana is withholding its official blessing. “At this time Acana is not endorsing Argus’s program, or any other broker certification program for that matter,” Bickford said. But putting on his broker’s hat, he added, “Our company is taking a hard look at this product, and I would encourage others to do so as well.” —J.W.

MARKETPLACE HELPS PROMOTE SMALL CHARTER OPERATORS

Linear Air’s charter marketplace is a network of smaller charter operators that fly relatively inexpensive piston-powered aircraft. The idea is to expose the traveling consumer to the opportunity to fly on one of the 2,000 piston singles or twins operated by about 1,000 charter operators in the U.S., instead of booking an airline seat or driving. The marketplace makes participating operators’ aircraft visible on popular travel booking websites such as Hipmunk and Kayak. “We’re operating at the little-airplane end of the market,” said Linear Air CEO William Herp, “and putting them into the marketplace, making customers searching for travel aware that it’s an option.”

As of early September, the marketplace had about 20 Cirrus piston singles available from half a dozen operators from Washington, D.C., through Boston. Plans were to launch service further south along the East Coast and in the Western U.S. in the fourth quarter.

In August, the marketplace booked 100 flights, all of which were fulfilled by marketplace partner-operators in their Cirrus fleets. The partners include Hopscotch Air, Skyline Flight, Fly GForce, Fly Advanced, OpenAir and Skyway Air Taxi.

The Linear marketplace takes a 15-percent cut of its members’ charter fees, Herp said, “in the ballpark of what brokers charge.” Eventually Herp wants to add more services for marketplace members, such as customer service, pilot recruiting and training and bulk fuel purchasing. “There is potential to bring a lot more airplanes into this market,” he said. If the 1,000 operators flying 2,000 piston charter airplanes fly twice a week at an average of $700 per hour, he added, “It’s roughly a $500 million industry. If we bring them two more trips a week, that makes it a billion-dollar market. That’s kind of what we’re shooting for, in the short term.”

In the long term, Herp sees an opportunity to pull many more travelers away from other modes of travel. A study commissioned by Linear Air found that of the total U.S. air-travel market, about 25 million passengers annually might consider charter if they were aware of the opportunity. “We’re in the beginning stages of building a technology platform to make them aware of it, buy it and have a delightful experience,” Herp told AIN. —M.T.
BACA creates escrow service for charter brokers in the U.S.

The London-based Baltic Air Charter Association (BACA) has launched BACA Escrow Service in the U.S., where deposits for scheduled charter flights can be held in trust until the agreed upon time for payment. “People don’t feel happy parting with a large amount of money well in advance” of a flight, BACA chairman Tony Coe said, noting that chartering a widebody airliner might require a deposit of half a million dollars or more. “If the operator should cease trading or get into financial difficulty during the intervening period, the advance payment may be lost, and the broker and client may have no options for the recovery of the funds,” he said.

BACA established an escrow service exclusively for brokers in the UK late in the last decade, to protect charter payment deposits at a time when operators were going out of business, oftimes allegedly taking brokers’ deposits with them. Fortunately, that’s no longer a problem, Coe said. “I think in general the marketplace is quite stable,” he said. Instead, the U.S. escrow service reflects a heightened profile BACA seeks to project as it expands its sphere of influence, now counting about 220 organizations as members. “We’ve started to have more and more European and American brokers as members, so it was time to enlarge the scope of our operations,” he said.

The escrow account is administered by Shelby Financial, an experienced escrow company based in Malvern, Pa., and all transactions can be monitored online by both the broker and operator. The funds are “basically held in trust, and therefore if the bank happens to fail, the money still belongs to the client,” Coe explained. If the charter goes as planned, at the time specified in the contract—either when the aircraft is in position, the flight is completed or any other arrangement agreed upon—the parties confirm the terms have been met and the money is transferred to the operator.

The costs of the escrow service are “a few hundred dollars, depending,” Coe said, noting that different processing and bank fees affect the final cost, but the operator or level of risk won’t affect the price.

Companies keep trying to fill empty legs

The long-sought goal of filling empty legs or seats on charter aircraft remains a compelling objective, and a number of companies are pursuing this potential market.

BLACKJET

BlackJet started off with a bang in 2012, offering service to its members in 14 markets and touting its connections with the high-tech industry, including investor Garrett Camp, co-founder of the Uber car-hailing smartphone app. A year later, BlackJet suspended bookings.

“We had a structure where we had 80 investors,” explained Dean Rotchin, BlackJet’s founder, president and CEO. Rotchin also helped launch the Greenjets per-seat charter brokerage, which served the East Coast and was transformed into BlackJet. “That structure is gone,” he said. “The company is now controlled by fewer than 10 people, mostly members who wanted to see it keep going. There were some issues at the board level that were really difficult to overcome. The company started quickly, and we delivered literally thousands of these seats between Greenjets and BlackJet. But opening in 14 markets and having an ill-conceived marketing plan was not a good idea.”

Guaranteeing an available seat to BlackJet members in all those markets also turned out not to be a good idea, he added. Part of the problem was that some board members didn’t understand that aviation is different from the car-hailing service that companies such as Uber, Lyft and Sidecar created. “It’s a completely different use-case,” Rotchin said. “You book a car, fire up the app, and if the car doesn’t show up, you take a cab, get a ride with a friend, take a bus, miss the meeting or walk. But an aircraft, it’s well-in-advance, mission-critical travel. We were able to get far down the road, but the next round of financing didn’t come, so the founders took over.”

Now BlackJet has retrenched and is focusing on building markets that it can serve slowly and deliberately. The first was South Florida to New York, and early last month Rotchin expected New York-Los Angeles to start service shortly. “We have sufficient membership in those [areas] to make it work,” he said. By the end of the year, BlackJet hopes to have four major routes served.

BlackJet has also changed its pricing model. The $5,000 membership fee is billed only once a member successfully books a seat. Per-seat flight charges are higher, and BlackJet is limiting the selection of available flights so guarantees can be met on days when flights are available. “We had members contacting us, saying, ‘I’ll fly any time in the next two weeks just to avoid the airlines,’” he said.

EMPTYLEGMARKET

There are plenty of websites that offer to help clients find empty charter legs, and charter operators are happy to fill
New portals aim for charter pricing transparency

A wave of portals attempting to create an online consumer marketplace for air charter has taken to the Web, eager to Uber their way to success. None has ambitions as large as Virgin Charter’s, which late last decade lost a reported $25 million to $30 million trying to create a national charter network upon an online booking platform. Nor do the new sites promise to wrangle the lowest fare out of the market, as did first-generation aggregators such as Charter-auction.com and CharterX. Rather, portals such as Private-Fly, Returnjet, Victor and JetSmarter simply aim to bring more immediacy, transparency and real-time pricing to the transaction, bypassing brokers and providing direct access to operators. (All, however, recognize the need to maintain 24/7 human assistance for customers who prefer or need it.)

The sites are powered by proprietary software that tracks movements of the business aviation fleet and uses algorithms to select suitable aircraft and calculate the price of a particular journey. Though their business models differ, the sites operate in similar fashion. (Several are still refining their search and price-estimating engines.) After initial registration, prospective customers input details of a proposed flight date/time, route, number of travelers and other filtering options; the sites then provide a range of serial-number-specific aircraft available and their estimated prices.

UK-based PrivateFly and Returnjet also provide links to the operators for price confirmation and booking. PrivateFly founder and CEO Adam Twidell said the site generates 120 to 150 bookings per month, and its commission fee ranges from 1 percent to 7.5 percent, based on the level of offline assistance required.

Returnjet founder and CEO Mark Blanchfield said his site has signed some 300 charter operators—more than 200 of them in the U.S.—to provide fleet data. The company gets approximately 2,000 requests for quotes per month, resulting in some 130 to 140 charter bookings, he said. Operators pay Returnjet a fee for each booking, and the fee is taken from the operator’s bill rather than added to the charter customer’s invoice.

In contrast to the non-transactional sites above, UK-based Victor provides real-time pricing for three suitable aircraft within 30 minutes of a request, and a click-to-pay function. Victor also provides photos of the aircraft; floor plans; names of the operators; and information on insurance, air operator certificates, and all other documents that charter professionals advise charter customers to ask about. Founder and CEO Clive Jackson reports that when Victor launched three years ago, only 11 percent of charter customers were willing to go online rather than to the phone for their initial search; now that online-first figure is 60 percent, he said. The company adds a commission, capped at 5 percent for all online bookings, and 10 percent for empty legs or for bookings requiring offline concierge support. Jackson said the company plans to expand into the U.S. in the near future, with commissions set at 10 percent.

JetSmarter offers a $6,999-per-year membership program, providing direct access to operators with suitable lift worldwide, with no commission charged. Colin Renshaw, senior aviation specialist at the company, said customers will save 5 to 20 percent on every flight by eliminating commissions. JetSmarter specializes in the empty-leg market and features a live stream of available lift. The company also offers on-demand online charter booking, but non-members pay a commission and aren’t provided the name of the operator until after they’ve paid for the flight.

While these new portals aim to shake up the charter world, it bears noting that California-based JetSuite, which owns and operates a fleet of Embraer Phenom 100s and Cessna Citation CJ3s, has offered guaranteed pricing and booking via its website since 2012. JetSuite’s platform was developed by BoldIQ, formerly DayJet Technologies, the IT element of the eponymous high-profile would-be per-seat air-taxi operator that ceased operations in 2008. —M.T.
Acana aims to ensure charter aircraft availability

While scheduling software does a better job than ever of tracking fleet movements and aircraft availability for the charter industry, leaders of the Air Charter Association of North America (Acana), which represents charter brokers, say some operators need to do a better job of ensuring the availability of aircraft they offer for charter.

Brent Moldowan, president of Acana and sales manager for business aviation at Jeppesen, and Joel Thomas, Acana v-p and CEO of Stratos Jet Charters, cited the owner approval process, which requires a management company to get the aircraft owner’s permission for each charter flight, as one area that needs attention. Delays in receiving approval can force brokers to find alternative lift on short notice, potentially increasing the price over the original quote, which can “ruin a client relationship,” said Thomas.

Moldowan acknowledged the management company is often caught in the middle, balancing the needs of the aircraft owners against its own and brokers’ interest in generating charter revenue. “I can tell you from years of working hands-on with the owners of aircraft that it is a fine line walking with them on charter availability,” Moldowan said.

Operators should be attuned, said the pair, to the trip profiles owners may or may not want to approve, whatever the aircraft’s scheduled availability, and advise the broker accordingly while awaiting approval. For example, owners may want to limit short hops or multi-leg itineraries that put short cycles on the engines.

A more troubling availability issue to Thomas “is an operator canceling a scheduled trip because of a ‘mechanical’ when in reality it has found a more profitable route,” he said.

Moldowan believes focusing on these concerns will help Acana “build relationships between brokers and operators for the good of the client,” whether the client is an aircraft owner or a charter customer. “Ultimately, the goal is to create a more transparent environment where operators are not offering availability that is either not available at all, or likely not available until a drawn-out negotiation is completed,” Moldowan said. “The simple message here is to avoid deceptive or unfair practices.”

–J.W.