CHARTER
MARKET REPORT

Linear Air

What it takes to run a charter provider today

by James Wynbrandt

Belying the relatively static activity metrics, the air charter market has seen—and instigated—significant change in the past year. Charter fleets are being bolstered, operators are consolidating and upstart access providers are offering non-traditional lift, from per-seat offerings to new jet card programs—all while under the pressure of low margins that show no signs of lifting. Here are some of the companies and developments that helped reshape the industry over the past year.

U.S. Charter by the Numbers

The U.S. charter market saw slow growth in the first half of this year while global on-demand activity held its own amidst the collapse of commodity prices and geopolitical uncertainties. Part 135 flight activity in the U.S. rose 3.4 percent during the first six months of this year compared with the same period last year, according to Argus International. Five of the first six months of 2016 (April the exception) registered higher year-over-year Part 135 flight activity, with June the greatest (6.7 percent); April dropped 0.5 percent year over year.

"We still have not reached the flight activity of 2006/ 2007, so the business aviation recovery in general has been slow," said Joe Moeggenberg, president and CEO of Argus.

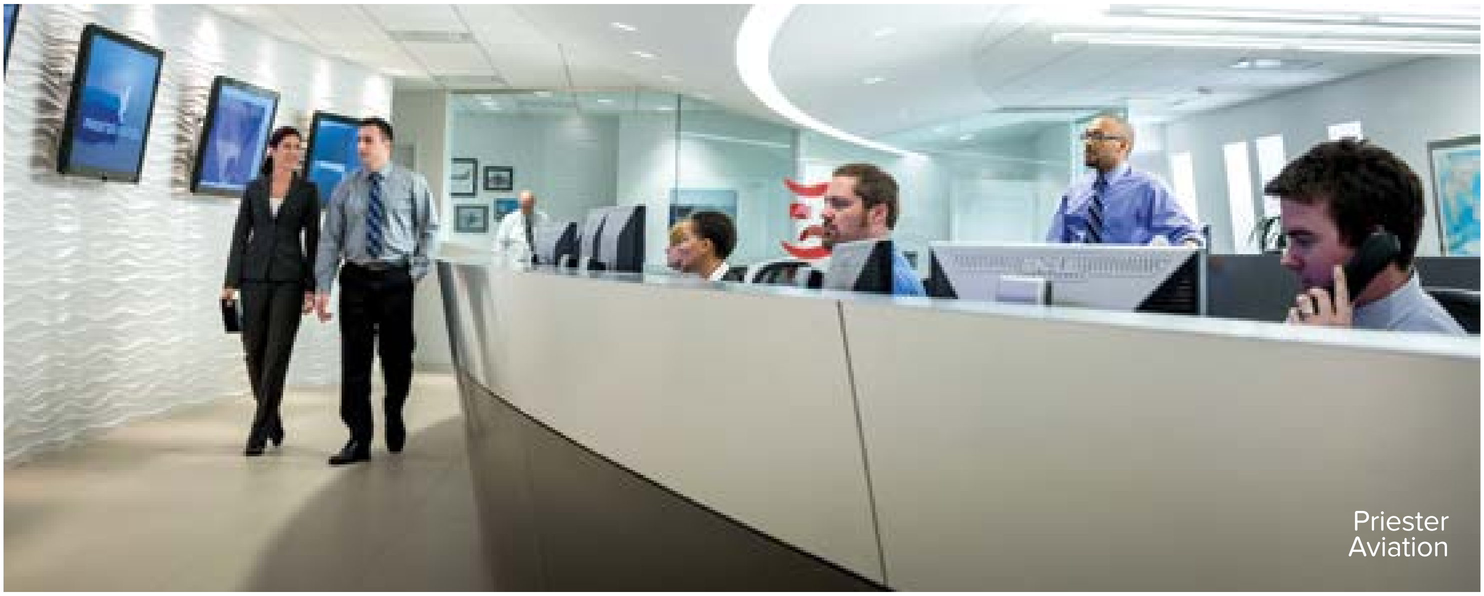
By category, combined with Part 91 activity, large-cabin aircraft saw the largest growth in flight hours, advancing 2.7 percent (410,166/430,532 hours). Turboprops saw a 3.6-percent increase (528,151/546,954 hours), followed by small-cabin at 2.3-percent growth (451,754/462,133 hours), with midsize cabins showing a 0.7-percent gain (614,999/619,013 hours). Taken together, combined flight activity rose 2.7 percent, or more than 50,000 hours, to 2,058,632 from 2,005,070. Argus estimates third-quarter flight activity will be up 3.9 percent over the comparable figures for last year.

Operators' Log: Bolstering Charter Fleets

During the past year many operators have expanded their fleets to meet charter demand, which has been strong enough to support entering charter revenue agreements with the growing ranks of owners eager for income to offset their operating costs.

Some operators, in fact, have established or are establishing financing programs to assist their charter clients buy jets to place in the operator's fleet.

"We've made a strong push to recruit and attract airplanes that are really charter hungry," said Andy Priester, president and CEO of **Priester Aviation** in Wheeling, Ill. Priester



Priester Aviation

has added 18 aircraft to its fleet this year, several owned by former charter customers who've bought jets, taking advantage of charter revenue arrangements Priester can offer, combined with declining preowned aircraft prices. "It creates a perfect storm for people who have been on the sidelines," said Priester. One customer bought several aircraft dedicated to charter for the company's fleet and intends to sell them individually with their flexible charter revenue agreements in place in turnkey sales.

Priester is also among operators providing aircraft for JetSmarter's per-seat shuttle flights, and the load factors "are higher than I ever thought they would be," Priester said. "Charter users in my opinion are not likely to become by-the-seat customers, but I think by-the-seat customers could become charter users and then aircraft owners."

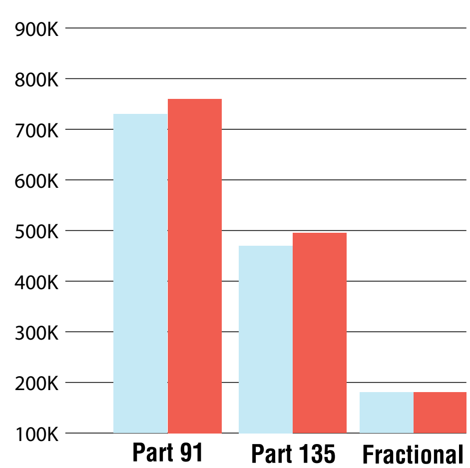
One of the biggest developments in the U.S. charter market this year was **Jet Aviation**'s acquisition of California-based Avjet. This deal has added almost 50 aircraft to the Jet Aviation group's managed fleet (and around 60 of the 153 jets are available for charter). Most of the fleet is in the super-midsize to large category.

"When we acquired Avjet we knew that it was a well-recognized brand that is working very well so we don't want to disrupt that while integrating it into the group," said Jet Aviation Flight Services vice president and general manager Don Haloburdo. He maintained that customers now benefit from greater choice and availability of aircraft, as well as having access to Jet Aviation's full portfolio of services (including maintenance and completions/refurbishment). The economies of scale have also made the respective charter operations more competitive.

"Of late, charter demand has been very consistent, but it remains very dependent on the overall state of the global economy," concluded Haloburdo. He said that having capacity at both ends of the busy New York to Los Angeles corridor has been a great competitive advantage.

Meridian Air Charter

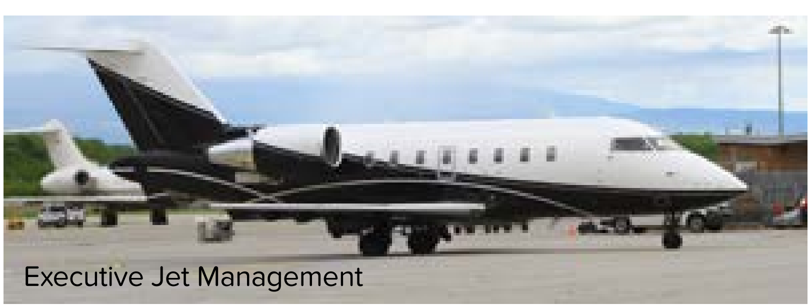
Total Flight Activity by Operational Category
Jan-Jun 2015 vs Jan-Jun 2016



Part 91 & Part 135 flight activity each rose 3.4% during the first 6 months of 2016, when compared to the same period in 2015. Fractional flight activity was up 0.5% during the same period.


Clay Lacy Aviation


Pentastar Aviation


Executive Jet Management

This year has also seen **Meridian Air Charter** expand westward into the vibrant Californian market. The New York area-based operator has added aircraft to its growing base in the San Jose area and during October will open its new FBO at nearby Hayward Airport. It sees the San Francisco Bay area as a hot spot of growing charter demand, largely driven by the dynamic financial and technology sectors.

Since January 2016, Meridian has added a Dassault Falcon 7X, a Falcon 2000 and a Gulfstream GIV-SP to its fleet. As of mid September, it was preparing to add three more G450s and a Bombardier Learjet 75. The California fleet already includes a pair of Falcon 2000s and a Citation XLS.

"2016 has been a strong year for us in charter sales," commented director of sales Chris Battaglia. "The success is a reflection of our expanded client base and growing fleet of managed aircraft. The trend for us has been longer trips and larger cabins, which complements our fleet since we now have aircraft based on both coasts."

Solairus Aviation of Petaluma, Calif., has 45 of the 105 aircraft it manages on its charter certificate, yet it has long emphasized management over charter—until the last year. "The aircraft we have added in the last 12 months are more charter driven than ever in the past, and that's a change for Solairus," said Paul Class, senior vice president, charter sales. These customers are looking for 100 to 250 hours of charter annually. The added jets—mostly super-midsize and large-cabin—have also made the fleet more geographically diverse, which makes it more marketable. "We've got as many large-cabin and midsize and super-midsize jets on the Eastern Seaboard as we do in the Northwest and West," Class said. Attesting to its ability to meet charter targets, Class noted Solairus actively brokers vetted fleets of other operators when its own aircraft are unavailable.

Clay Lacy Aviation offers no formal charter revenue agreements, but "We've met or exceeded every owners' requirements" for charter, booking as many as 500 hours annually on an aircraft, said Scott Cutchall, vice president of marketing.

In the middle of last month, Clay Lacy announced a merger with Key Air, an Oxford, Conn.-based charter-management specialist. After approval from authorities, expected by year-end, the new company will continue as Clay Lacy Aviation and is expected to represent more than 75 aircraft at 15 locations in North America.

"This is the first of several strategic steps to expand our East Coast services," said Clay Lacy Aviation president Brian Kirkdoffer, adding, "Now we have teams of experts on both coasts focused on providing safety, service and value."

Executive Jet Management (EJM) is expanding its West Coast presence and will have 10 percent more aircraft available for charter in the region by the second half of this year, said Ty Dubay, senior vice president of charter sales and customer experience. Beyond ad hoc charter, Dubay said EJM's flat-rate city pair charters are popular, and its block charter programs are finding resonance with "customers who seek a longer-term relationship, with bigger and better benefits than simple retail charter."

Industry Prepares for European SET-IMC Rules

Single-engine turboprops have proved popular around the world for commercial operations, but in Europe, apart from a handful of operators in limited circumstances and relatively recently, such use has not been permitted at night and in IMC. International rules under ICAO Annex 6 have allowed such operations under specific conditions since 2005.

For some years there were calls for a new approach to rules governing commercial single-engine turbine flight in IMC (so-called SET-IMC). But later this year that will all change and blanket EASA legislation will pave the way for such operations.

The EASA published a formal opinion in the middle of last year, building on the considerable body of research already available around the world (in particular from Australia and North America); the agency analyzed 24 million hours of SET flight data and found that it "pointed to safety rates that are in line with the safety rates of aircraft, such as twin-engine turboprops, currently used for commercial operations in Europe," according to a position paper published in May 2016 by the European Business Aviation Association (EBAA).

EBAA is "confident that EASA's opinion comprehensively addresses [any safety concerns] and proposes appropriate mitigation measures, ensuring that European commercial SET-IMC operations will be the standard-bearer for safe operations in this category throughout the world." It adds that it will help to open new low-density routes, "improving the lives of people living in remote locations."

To date the only countries where commercial SET-IMC operations have taken place in Europe are Finland, France, Greece, Norway, Spain and Sweden—all under exemptions from current regulations and limited to domestic operations with specific conditions. EBAA recognized that "the situation has clearly created a lack of harmonization and market distortions across Europe," and welcomed relief from the administrative burden of such exemptions. The association also said "some EU operators face competition from [third-country] operators coming from countries where commercial SET-IMC is permitted."

The SET fleet performing commercial operations has declined in Europe from 30 in 2006 to 13 in 2013, so it is of little surprise that turboprop manufacturers are excited about sales prospects. Companies such as Textron have unveiled new single-engine turboprop designs, so this market will be a competitive one.

In terms of operators' adopting such aircraft, Chris Mace of Norwich, UK-based Saxonair commented at this year's BBGA (British Business and General Aviation Association) conference that having such aircraft would make sense in that it gives an operator the greatest possible range of options for clients.

As the fall arrives in Europe it seems likely that manufacturers will see interest grow. In the various EASA nations (the European Union member states, Switzerland, Norway and Liechtenstein), there will be different applications of the EU regulation when it comes into force. The UK CAA, for example, has already said it would be happy for operators to start the approval process to prepare for the expected application of the new rules, likely next month. This will allow them to take advantage straight away. *—Ian Sheppard*

But the savings and efficiencies of large, national charter fleets can have their limits. **Wing Aviation**, a regional operator based in Texas, has added this year to its certificate aircraft whose owners are "fed up with the larger companies that are losing the hometown feel, the family touch they used to have," said president and CEO David Riddle. Wing, with bases in Dallas, Austin, Conroe and its Houston Hobby Airport headquarters, has added three jets and expects two more by year-end, bringing its fleet to 25. Six of them are Hawker 800XPs and 900XPs, providing a recovery capability that Riddle credits with helping drive recent charter growth. Meanwhile, a diverse client base, he said, has shielded Wing from the effects of low oil prices, which has hurt the region's economy.

Pentastar Aviation, from its one base at Oakland County International Airport in Waterford, Mich., has also met the charter goals of owners, several of whom "are increasingly engaged and eager to maximize their aircraft's charter availability," said Jim Davis, manager of customer support. "The newest additions to our charter fleet—two Hawkers and one Falcon 2000LXS—are owned by people who are enthusiastic about our charter business model."

KCAC Aviation in Olathe, Kan.—operating half a dozen PC-12s and a pair each of Citation Encores, Mustangs and CJ3s—is close to topping last year's record-setting charter performance, said general manager Angelo Fiataruolo. He'd like to expand


KCAC Aviation

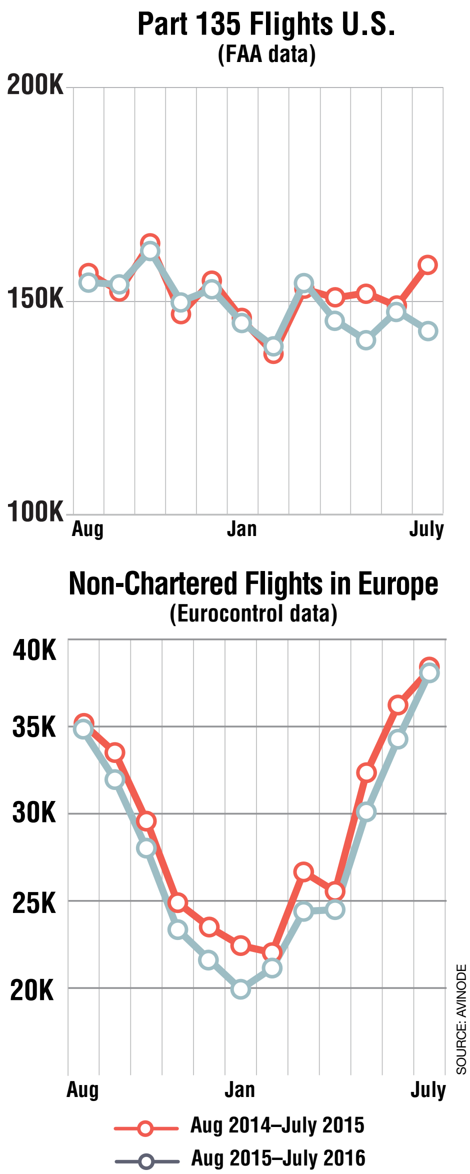

Solairus Aviation


Wing Aviation

KCAC's charter activity, which represents about 15 to 20 percent of the business, but noted the runway at Olathe is only 4,100 feet, limiting the equipment the company can operate. (A Pilatus dealer, the bulk of business comes from sales.) KCAC also has a base at Spirit of St. Louis Airport and has just signed on with Member Jets, a new company that aims to create a nationwide network of per-seat charter operators, a long-dismissed charter model that's suddenly in vogue. (*See JetSmarter box at right*)."We didn't want to be the pioneer," Fiataruolo said of the per-seat market. "It looks like there's a fair amount of activity; I just hope it doesn't get too crowded."

If such operators prove charter success doesn't require a nationwide network of jets, Bedford, Mass.-based **Linear Air** demonstrates turbine aircraft aren't necessarily needed, either. Single- and twin-engine piston air-taxi demand has "grown dramatically," said William Herp, president, CEO and co-founder of the company, originally an Eclipse fractional operator. Linear operates a Cirrus fleet and brokers piston charters on the web, accessing 1,500 Part 135 piston aircraft across the U.S. The price of the average trip Linear books is $2,500, and flights and revenues doubled in the last year.

"We're developing an entirely new set of charter customers who would never consider chartering a jet, but a Cirrus or Seneca or Bonanza or Cessna 182" is within budget. "The hard part is finding customers," said Herp, "and that's where we've raised and deployed several million dollars of capital so far." Unlike in the turbine charter world, no army of brokers sells piston charters. Linear is now linked to Kayak, providing more exposure and booking connectivity for this end of the market. ❏



Changing Operator/Broker Dynamics

Concerns about gray-market charter and unscrupulous charter providers that prompted brokers to form Acana (the Air Charter Association of North America) in 2007 and the DOT to publish its 2013 NPRM on regulating charter brokers have largely dissipated. So too has longstanding antipathy between operators and brokers, as brokers have evolved into sophisticated sales organizations aided by real-time online inventory and pricing, and more operators have come to rely on them to augment or even replace in-house sales teams.

"Many Part 135 operators now turn over their entire fleets to these brokers to market," said Joe Moeggenberg, president and CEO of Argus International. "That's starting to have an impact on Part 135."

Andy Priester, president and CEO of Priester Aviation, voiced an operator's perspective: "As we continue with our fleet growth, we want to say yes to as many quality brokers as possible." He added, "Bigger, stronger brokers are getting stronger, and it seems as though there aren't as many bedroom brokers."

Acana, meanwhile, has new concerns. Cyber security tops the list, said Richard Zaher, Acana chairman, and CEO of charter broker Paramount Business Jets. This concern embraces not only the security of information placed on board the aircraft through in-flight connectivity technology, but also the risk of phishing attacks that compromise the security of information shared between [charter providers] and clients, said Zaher. In the past year several Acana members have reported attacks that involved cloned email addresses and invoices that appear intended to defraud charter providers.

Another area of concern: some providers might be offering charter flights using Part 125 aircraft—those with a capacity of 20 or more passengers not approved for common carriage. Acana is preparing a position paper on the issue.

As for the DOT's NPRM on imposing regulations on air charter brokers, which were roundly criticized by Acana members when published as being too lax: the agency's Semi-Annual Regulatory Agenda, issued this past spring, had the final rule slated for publication in July. The DOT has provided no updated schedule.

Meanwhile, in Europe a new charter sales model called "marketed by agent" has emerged, which gives a single agent exclusive representation of a selection of aircraft from several operators. Such arrangements might be helpful if, for example, an operator lands a client whose aircraft is substantially different from the rest of the fleet, or if operators of a small charter fleet prefer to outsource charter sales. According to Oliver King, managing director at Avinode, 15 percent of charters in Europe are now marketed by agent. ■


Zetta Jet

Owned and Operated Fleets

Charter management companies have long questioned the business model of owned & operated (O&O) charter fleets, arguing that the capital required to buy and own airplanes makes profitability impossible. O&Os counter that eliminating owner approvals and limits on aircraft availability allows much higher utilization of aircraft.

Whether the higher usage yields profits, flight activity proves the O&Os are right. Three of the 25 largest U.S. charter operators that had the highest aircraft utilization rates in the first half of this year—and last year—were all O&Os. XOJet chartered its 19 jets for an annually adjusted average of 1,060 hours each, followed by JetSuite, billing 750 hours, and Travel Management (TMC Jets), whose jets are on pace to generate an average of 662 hours of charter revenue. As for profitability, it bears noting that earlier this year investment firm TPG Growth of San Francisco, which owns a stake in XOJet, bought TMC Jets, of Elkhart, Ind. for an undisclosed sum. XOJet and TMC Jets have had a partnership since 2013.

Charter management companies on the Top 25 operators list put on substantially fewer hours. Gama's fleet will average out at about 550 hours per jet, EJM's less than 400 and Jet Linx about 300. The highest fleet usage among listed companies is Redwing Aeroplane, at #24, whose 11 aircraft are each on track to ring up 614 charter hours this year.

JetSuite complemented its ad hoc/membership charter service with the launch in April of JetSuiteX, a scheduled Part 380 per-seat service linking several major West Coast markets, on luminously appointed 30-passenger Embraer ERJ-135s.

O&Os outside the U.S. also report success. "Owning your own fleet, you can control availability, and can save more and more time," said Ian Moore, chief commercial officer at Malta-based VistaJet. From January through June, VistaJet's flight activity was up 23 percent and passenger count up 20 percent, and in the second quarter the company had its biggest quarter ever, with the average number of new contractual flight hours per customer up to 120. Over the past year the company expanded its U.S. headquarters in New York, established a foothold in Los Angeles and expanded its presence in Beijing and Shanghai. Its 65 large and super-midsize Bombardiers fly an average of 100 flights per day. Half the fleet are Globals; the remainder Challenger 350s, 605s and 850s, and they're registered in the U.S. and Malta, save for one B-registered CL850 based in Hong Kong.

Moore credits growth in part to a shift away from owning assets. "The decision everyone's making is, 'I can't afford or justify owning an aircraft,'" he said. But they're willing to pay for quality. VistaJet emphasizes customer service, catering menus from renowned restaurants and partnerships with luxury brands featured on board. The company also offers its aircraft to the ad hoc market when available. VistaJet owner Thomas Flohr has delivery positions for the in-development Global 7000.

Year-old upstart O&O Zetta Jet, based in Singapore, is following much the same playbook in building its N-registered, all-Bombardier Global floating fleet, tailored to the trans-Pacific market. Zetta Jet has FAA approval for flight through areas of magnetic unreliability—that is, the polar regions—which enables it to offer the shortest route for many flights between the U.S. and Asia, said Geoffery Cassidy, co-founder and managing director. To further distinguish itself, the company has outfitted every Global in its fleet with a different interior. "Some customers want a double divan in back, some want a huge bed," said Cassidy. Zetta Jet currently has eight Globals, expects to have 16 by the end of next year, and is in discussion with Bombardier about Global 7000 purchases, Cassidy said.

On the small-cabin side of the business, Austria's GlobeAir has found success in Europe with its O&O fleet of 14 Citation Mustangs and anticipates seeing revenue climb to €23 million ($25.66 million) this year from €18.6 million ($20.75 million) last year. In May, GlobeAir and JetSuite announced partnering to offer each other's transatlantic customers "last mile" service. ■


Gama Aviation

Card Programs

Like ad hoc providers, card programs—whether offered by operators or brokers—have been paying attention to their fleets and customer service.

Charter broker **Sentient** expects to add 1,000 card members this year, bringing its active membership to 6,000 by year-end, said Andrew Collins, president and CEO of the Braintree, Mass. company. Over the past year Sentient has emphasized its exclusive member benefits package, which includes complimentary resort nights, luxury merchandise offerings and now exclusive events such as the gathering it hosted in Lexington, Ky., this year as official aviation provider of the Kentucky Derby. Meanwhile, Sentient, a Directional Aviation company, is undergoing a rebranding under the tagline "A more thoughtful way to fly," highlighting the "mission of quality we're on," Collins said. In September Sentient released a mobile app for iOS and Android devices providing real-time price quoting and digital booking.

The two-tiered 25-hour card remains Sentient's mainstay. The lowest price light jet card is \$125,000, and the average card sale is \$140,000, the hours expended in nine months. Cards are also available in 50-, 75- and 100-hour increments, which offer additional features; hourly pricing remains constant. Collins said Sentient draws its lift from "the top 25 percent" of operators, who control about 1,000 jets, and over the course of a year will use 300 different aircraft.

Operator **Delta Private Jets** (DPJ) offers jet cards and ad hoc charter, and revenue for both is up "substantially," said David Sneed, executive vice president and COO. DPJ bolstered its fleet of 75 aircraft through its Ownership Assist program, which provided offset revenue guarantees of 80 to 100 percent of operating costs for qualified aircraft purchased for charter use. With the fleet now at the correct size, DPJ has scaled back the program and is "focused on utilization for the rest of the year," Sneed said.

Last month DPJ announced an exclusive partnership with American Express providing, among other benefits, jet cards at a reduced minimum price for select Amex members. DPJ would like its ad hoc charter to match the card program's success, and Sneed sees real-time pricing as key to that goal. "You need to be relevant in the market every day—I'd say even hourly," Sneed said. "Dynamic pricing is critical for DPJ to build." With its fleet constantly moving across North America and Europe, that's a challenge, Sneed acknowledged.

In next year's first quarter DPJ will begin installing Gogo Biz 4G broadband throughout its fleet (assuming certification is complete). DPJ will be an authorized dealer and provide installation service, for which no STCs will be required.

Nicholas Air distinguished itself this year with the addition of a Citation Latitude to its fleet, becoming the only operator to offer the new jet in a membership-based program, said NJ Correnti, president and CEO of the Columbus, Miss.-based company. Nicholas also operates PC-12s and Phenom 100s and 300s, none older than five years. The company recently supplemented its pre-purchased Blue Jet Card (sold in 15-, 30- and 60-hour denominations) with the Rise Card, a deposit-based program offering enhanced fleet access flexibility, and the Smart Card, a pay-as-you-go plan that's "growing in popularity," Correnti said. Nicholas might be the first to provide member access to another new model. "The Cessna Denali has caught our attention," Correnti said, "and we look forward to continuing our fleet growth with this new aircraft."

Jet Linx Aviation has added 26 aircraft to its charter rolls this year and expects to add another 22 to 24 (mostly midsize cabins) by year-end, said Jamie Walker, president of the Omaha, Neb.-based card program operator. That will bring the fleet total to about 95 jets, operating from its own private terminals at 14 locations, serving about 1,100 members, 300 of them added over the past year. "We believe there's easily, from our recipe, another 20 markets across the United States we could serve," said Walker.

Jet Linx offers two programs: the Executive Jet Card and Club Card. Both are pay-as-you-go, guaranteed-access plans requiring a one-time membership fee. The hourly rates are the same for each, though program benefits differ. The Executive (\$17,500) is aimed at frequent fliers, while the Club Card (\$12,500) is for more casual users. (Jet Linx also offers its fleet for ad hoc charter through brokers, but not directly to retail customers.)

Last month Jet Linx announced an alliance with ProJet Aviation of Leesburg Executive Airport in Virginia, assuming the latter's aircraft management and charter business. The alliance adds a Challenger 604, Hawker 800XP and 400XP and Avanti to the Jet Linx charter certificate. ProJet will focus on its FBO business and will operate a private terminal at Leesburg for Jet Linx, which already has a base at Dulles Airport. No financial terms were disclosed.

It's understandable why operators like Jet Linx, DPJ and others would help finance purchases; they're not losing a charter client as much as gaining an aircraft. But Houston-based brokerage **Horizon Air Group** has also added a sales/acquisition arm to its services. Founder and CEO Luis Barros says the commissions make up for loss of charter clients, and that Horizon might get "preferential treatment" on charter rates and availability from charter operators that manage the new purchase. Meanwhile, Horizon's "cash back" jet card (one percent cash or 1.5 percent back in flight credit) has gained popularity with big-spending corporate clients. But bowing to slack demand, the company has reduced the buy-in costs for its no-deposit FlyCorp card to \$6,000 from \$10,000. ■

Membership Clubs, Per-Seat Charter and Private Airlines

Upstart providers are finding success in reimagined charter access programs. New York-based **Wheels Up** this year introduced a charter brokerage arm (Flight Deck) and an introductory level membership program (called "8760"), while maintaining growth plans for its full-price membership rolls and owned charter fleet. By year-end Wheels Up expects to have 3,000 members, 70 to 75 aircraft and annual revenue of $200 million, according to founder and CEO Kenny Dichter. The fleet (operated by Gama Aviation) will then consist of 55 King Air 350is and 15 Citation Excel/XLSes.

Flight Deck, the new in-house brokerage, arranges charter for members through a network of vetted operators. "We believe it will be nine-figure business—a $100 million-plus business—and we think we can get there in 24 months," Dichter said. "8760" provides lift through broker partner Apollo Jets, and non-guaranteed access to the Wheels Up fleet at higher hourly costs. Membership also opens access to the Wheels Up ride-sharing program and select events. The events "create something that will resonate with millennials," who, Dichter said, "value experience more than hard goods." The program has a $5,950 initiation fee and $5,950 annual membership, and Dichter expects to have 1,000 members in 8760 by year-end.

Charter broker **JetSmarter** of Fort Lauderdale, Fla., anticipates it will have 5,000 members by this fall, 10 times the number of one year ago, while its per-seat Shuttle routes will have expanded to 42 in the U.S., Europe and Middle East from a mere two. The per-seat Part 380 flights are a major incentive for drawing new members, and a revenue source, said Sergey Petrossov, JetSmarter's founder, president and CEO; seats on the limited number of scheduled Shuttle flights are free, but members can also set up their own Shuttles on those routes and invite others to join, each paying for only a single seat, for example $1,990 on a light jet from New York to South Florida.

After entering a new market, JetSmarter can analyze customer interaction with its app and website to align service with anticipated demand. The company can "buy up idle time [from operators] for low-cost wholesale rates, and use it during down time, and if customers can be flexible they can save a lot of money," Petrossov said. Recently the company brokered a record 25 flights in one week on one route (New York to South Florida), all but four of them initiated by members. Petrossov said even aircraft owners fly on Shuttles sometimes. "They tell me, 'When I'm flying by myself and see those seven empty chairs, I get heartburn.'"

About three-dozen operators (identified on JetSmarter's site) supply Shuttle lift. However, as the Shuttles are available only in some major markets, JetSmarter has two membership programs: Smart, for members who want access to the Shuttles; and Access, for those seeking only ad hoc charter. Smart membership costs $15,000 for the first year and $10,000 annually thereafter; Access is $6,000/$4,000 and provides guaranteed access to charter aircraft at preset prices. (JetSmarter buys empty-leg availability from operators that it posts daily as free flights, a feature Petrossov said many members often check on, though few actually book them.) The average Access member spends $60,000 to $70,000 per year with JetSmarter, while Smart members average about $30,000, Petrossov said. This year the company expects to carry some 35,000 unique passengers. JetSmarter also offers Sophisticated membership, delivering "elevated services," which costs $40,000 annually plus a one-time $5,000 initiation fee.

Part 380 "private airlines" such as California's **Surf Air** and **Rise** in Texas continue to grow, offering members all-you-can-fly service for a monthly subscription fee on high-demand routes poorly served by conventional airlines. This fall, Surf Air will bring its all-you-can-fly charter service to Europe, using new jets (type undisclosed) operated by TAG Aviation (UK), with daily flights between London, Geneva and Zurich; Paris, Amsterdam, Dublin and others will be added next year. Monthly memberships will be £2,500 ($3,235).

But the private airline model hasn't been entirely successful. Last fall Beacon, created by Surf Air co-founder Wade Eyerly, launched service between Boston and New York City (via Westchester County Airport), but the company quietly folded early this year. ■

Wheels Up

Surf Air

Charter demand mixed by region

Though charter demand in Southeast Asia (excluding China) appears "pretty mixed," lack of official data and insufficient penetration by Avinode to gather statistically valid information makes tracking the market difficult, said Oliver King, Avinode's managing partner. The release last month of the *Business Jets Charter Report 2016*, from Hong Kong-based bizav consultancy Asian Sky Group, might help clarify the Asian picture. The 14 nations in the region have 256 business jets on charter certificates, according to the report. However, only about half are available for on-demand service, said ASG general manager Jeffrey Lowe, with the rest placed on AOCs for accounting or other non-revenue purposes.

India's fleet of 57 leads the pack, followed by Australia and China, with 55 and 53, respectively. Eight percent of responding business aviation users in the Asia-Pacific region fly charter exclusively, while 48 percent use both charter and their own aircraft; 73 percent book through operators, while 27 percent use charter brokers. Lowe said regional operators are reluctant to provide information on flight activity, but he believes the Chinese market is "starting to creep back up" from the lows wrought by the government's austerity campaign and regional economic weakness.

In August Deer Jet subsidiary Hong Kong Airlines Corporate Jet (Hong Kong Jet), seeking to expand its charter footprint in Hong Kong, completed acquiring Asia Jet Partners, a deal announced at ABACE in April. The combined fleets comprise some three dozen aircraft, not all available for charter.

Latin America is a tale of two regions: Northern Mexico is matching U.S. charter growth, while areas to the south through South America are flat or declining. Thanks to the Olympics, a 1,000-percent spike in flight requests to Brazil came through the Avinode system in the lead-up to the Games compared to the same period the previous year, but King described

TOP 25 US PART 135 OPERATORS IN 2016

Rank	Operator Name	2016 Hours	2015 Hours	2016 Fleet Size	2015 Fleet Size
1	Executive Jet Management	27,612	29,360	139	138
2	Gama Aviation	23,874	15,854	86	33
3	XOJet	21,829	21,946	41	42
4	Travel Management Company	21,186	21,760	64	68
5	Delta Private Jets	18,781	16,751	69	65
6	Solairus Aviation	11,046	9,587	47	39
7	Jet Linx Aviation	10,707	10,461	71	51
8	Jet Edge	8,920	8,328	45	37
9	Jet Aviation	7,474	7,014	33	29
10	JetSuite Air	7,173	8,306	19	19
11	Clay Lacy Aviation	6,558	6,503	43	48
12	Sterling Aviation	5,984	5,798	33	22
13	Jet Select	5,192	5,165	27	24
14	Aero Air	5,019	4,539	22	21
15	Corporate Flight Management	4,897	2,746	24	20
16	Priester Aviation	4,472	3,357	31	27
17	Talon Air	4,295	4,302	23	19
18	Meridian Air Charter	4,044	5,031	23	22
19	Mountain Aviation Inc.	3,937	2,984	20	17
20	Avjet Corporation	3,881	3,894	24	24
21	Lyon Aviation	3,866	2,797	20	14
22	Advanced Air Management	3,658	1,695	15	8
23	LJ Associates	3,654	3,558	25	23
24	Red Wing Aeroplane	3,387	3,761	11	10
25	Superior Transportation Associates	3,195	2,350	21	17

**Note- 2016 fleet size based on DO85 dated July 5, 2016*
**Note- 2015 fleet size based on DO85 dated July 15, 2015*
**Note- Excludes medical operators*

the Brazilian charter market otherwise as "on its knees."

The Middle East, which had been growing by 3 to 5 percent in recent years, has flattened. It's "not in contraction, but it's not a growing market at this stage," said King. Charter demand in Africa has been mixed according to the limited data available.

European Charter Market

Europe's charter market remains in negative territory, according to Avinode. "It continues to decline a percentage point per year," said King. King cites weak economic growth in the Eurozone and cratered Russian charter demand among the culprits. But charter doesn't necessarily reflect the overall bizav market. From mid-March to mid-April, for example, the 30,391 business jet flights in Europe reported by the FAA/Eurocontrol represented a 0.7-percent year-over-year uptick, while Avinode reported a 13.3-percent year-over-year decline in its charter demand index (average daily value of all requested trips) during the same period. But with recent strength in the European stock market, the near term could see "flat to small growth" in charter activity, King believes.

But more activity might not spell greater profitability. "One of the realities at the moment, even though the volume of flying is up in some months, [is that] the pricing has dropped, so margins are tight," said Patrick Margetson-Rushmore, chief executive of Luxaviation UK (LUK; formerly London Executive Aviation).

Indeed, charter rates seem divorced from supply. In mid-July Avinode reported year-over-year gains in its charter demand index for Europe of 43.4 percent, and the U.S. of 5.4 percent, yet its price index (average per hour rental cost) for the period slid by 0.41 percent and 0.02 percent, respectively.

Focused providers, however, are finding ways to succeed in Europe as elsewhere. LUK, in the midst of rebranding two years after its acquisition by the Luxaviation Group, reported a 9 percent year-over-year bump in second-quarter charter revenue following a "difficult" 2015. Margetson-Rushmore said the company is benefitting in part from its fleet of Embraer Legacys, which are less costly but carry the same passenger loads as Gulfstreams; their more limited range is no impediment for regional travel, and they have been popular for band and movie release tours. LUK operates six Legacy 600s and two Legacy 650s among its 23 charter aircraft, making this Europe's largest Embraer fleet, according to the company.

Margetson-Rushmore believes synergies within the Luxaviation Group, which has a charter fleet of some 250 aircraft, will lower its costs and help the needs of an increasingly global customer base.

Nomad Aviation, headquartered in Zurich, Switzerland (but with a European Union AOC based in Malta), expects to see further expansion of its managed fleet through the end of 2017, while consolidating in the charter sector where it sees excess capacity. The company operates five aircraft in the charter market and manages three others.

As many of 90 percent of Nomad's clients are from Russia and the former Soviet republics and, given that region's economic problems, the company recognizes the need to diversify geographically through expansion in to emerging markets such as Africa, China, India and even Iran. Nomad also has expanded its product portfolio with new services such as helping European private operators comply with the European Union's new Part NCC rules.

In August, Flexjet Ltd., the UK subsidiary of U.S.-based fractional provider Flexjet, acquired charter management company FlairJet from Marshall Aerospace. FlairJet's seven managed jets will join Flexjet Ltd.'s eight Nextant 400XTis.

In the aftermath of the Brexit vote for the UK to leave the European Union, charter professionals are taking a "wait and see" stance toward its impact, but one immediate effect has been an increase charter activity among UK operators, according to several providers; the lowered value of the British pound has made UK charter less expensive than competitors' flights priced in euros. The potential black cloud on the horizon for British opearators is that their AOCs may no longer give them cabotage right access to European Union markets once the exit process is complete. *–J. W.*

Victor

Charter Access Platforms

Online booking platforms continue their quest to expand the charter market and build their businesses through drawing on the immense power of digital data gathering and dissemination.

Sweden's **Avinode**, whose subscription base grew 20 percent over the past year—primarily in the U.S.—now has 5,500 active brokers using the system, which lists inventory from 2,000 operators worldwide, a 10-percent annual increase. Avinode has handled three million requests for charter over the past year, said managing director Oliver King, noting that it took the company 10 years to reach its first seven million requests. Avinode continues "evolving" the system, adding features like Trip, which creates a shared file where all parties can track charters from quote request through completion.

UK-based brokerage **ReturnJet** recently introduced its "widget box" API (Application Programming Interface), which lets brokers host on their Websites a branded charter quote search engine linked to the ReturnJet database. Four hundred brokers in the U.S. are using the system, and over the past year searches have climbed to 400 per day from 50, according to Steve Westlake, ReturnJet aviation director. The system is supported primarily by advertisers; users get 50 free searches per month, and unlimited monthly searching costs $350. Pricing is set to appeal to brokers looking for an alternative to Avinode, which charges higher subscription fees.

Stellar, the Silicon Valley start-up that aims to transform retail charter with its digital marketplace, announced in August partnering with Rockwell Collins's FOS (Flight Operations System) to create an integrated, next-generation FOS. The next-gen version, incorporating Stellar's instant quotes and dynamic pricing features, will be available in March to all current FOS customers, comprising 500 operators and flight departments, and priced similarly. The two companies will share development costs and revenue, said Stellar president and CEO Paul Touw. A free version will be available for individual owners or small flight departments.

Preparations for rolling out Stellar's B2C product continue, with 35 operators adopting the system, Jet Linx Aviation and Landmark Aviation among them. Stellar has raised $14.7 million in funding and is about to close on a new investment in "the many tens of millions" of dollars, Touw said.

The UK's **Stratajet**, which provides real-time, automated price quoting and booking, is now live in Europe, having launched to the public there in April. Growth is ahead of targets, said founder and CEO Jonny Nicol, with 4,750 users registered by the end of August, and four million charter flight quotes generated "without the aircraft operators having to lift a finger." Stratajet is also creating partnerships with FBOs (TAG, for example) and other companies. The company launched in the U.S. last month. (*See article on page 31.*)

PrivateFly, another UK-based online broker, saw 50-percent year-over-year growth in bookings, said founder and CEO Adam Twidell, with transactions averaging $18,000. PrivateFly opened an office in Fort Lauderdale, Fla., early this year and is eying a West Coast location. To speed U.S. expansion, the company is "looking to acquire one or more brokerages" or partner with good-fitting firms. PrivateFly's mobile app, which supplements its telephone and online support, is finding favor among millennial customers. Twidell cites a young model who flies "between L.A. and Europe. He communicates with us on Instagram, he compares his options on the app and pays online, and he uses social media to say thank you to us when flying. [But] his mother can phone us to find out what times he's landing and see that everything is OK with the flight."

Now five years old, UK online charter broker **Victor** generated $25 million revenue last year, said founder and CEO Clive Jackson, and has booked 350 flights in a single month. Meanwhile, the cost of customer acquisition has declined by 40 percent while "an increasing number of fliers are interacting with us entirely in the digital channel," Jackson said, a trend "that helps us drive down the cost of service." Victor's commission varies with the level of assistance required from its brokers to arrange a flight. As for the charter platforms that have entered the arena Victor helped pioneer, Jackson said, "Their ability to acquire enough customers and hold onto them is going to take more money than they ever thought." ■