Ridesharing now available for charter seats

Wheels Up: A new flight access program takes off

From fractional operator goes bust

Charter community welcomes broker NPRM

What’s next for the fractional field?

When a fractional operator goes bust

FRACTIONAL CHARTER

Brokers have always generated the majority of charter trips, and that industry is about to undergo regulatory changes. At the same time, U.S. banks and Europe are starting to focus on the business of commercial business jet operations. Bombardier’s Flexjet sold to Flight Options parent Directional Aviation Capital and Avantair forced into involuntary bankruptcy.

The charter market has not seen much in the way of consolidation this year, and many companies have reported staying decently busy. In fact, aviation companies have reported staying decently busy.

Aviation Capital and Avantair forced into involuntary bankruptcy.

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he involuntary bankruptcy of publicly traded Avantair, the Clearwater, Fla.-based provider of Piaggio Avanti twin-turboprop fractional ownership, Jet Edge Card and Axis Lease programs, left a trail of unpaid vendors and creditors, broken airplanes and more than 600 out-of-luck owners. Nothing suggests Avantair’s collapse reflects any industry-wide malady, but it illustrates what can happen to owners when a program provider goes belly up—an event previously discussed only in hypothetical terms.

Avantair owners experienced service problems that left many without lift well before the company was forced into bankruptcy. A growing number of the program’s 56 Avantis became unairworthy as they were “cannibalized,” in the FAA’s wording, for parts, leaving insufficient supply to serve the owners and other customers. Owners reported Avantair cancelled flights just hours before the scheduled departure, or in some cases left them waiting at an FBO for an airplane that never arrived. But—as is common in fractional programs—co-owners didn’t know one another and had no way to communicate or act in concert. But when management sent an email to owners and inadvertently left the recipient list uncovered, Joel Trammell, a software entrepreneur from Austin and a one-sixteenth-share owner, used the list to start an Avantair Owners Forum in January.

“My last two experiences with Avantair have been very disappointing,” Trammell wrote in the forum’s first post, detailing recent service misadventures before concluding, “I am now worried that [Avantair] will not be able to continue operations, leaving owners in a tough situation.”

In June Avantair announced a “temporary” cessation of operations (its second in less than a year) and refused to provide the supplemental lift that owners say it was contractually obligated to.

Per-seat charter option brings ‘ridesharing’ to a new market

Continued from preceding page

For per-seat charter outside main travel corridors, facilitators fill that need. London’s Victor, a membership-based charter booking portal launched in 2011, features per-seat charter on its website. Victor’s charter customers can offer empty seats for sale on flights they book, and founder Clive Jackson says about 25 percent of them are doing so. (Customers receive 70 percent of per-seat revenue.) Victor’s charter customers traveling one way may also opt to pay a round-trip rate and sell seats on the return leg, which can further reduce their overall cost, according to Jackson.

For any flights with per-seat availability, the portal displays the price, specific aircraft, registration number, interior and exterior photos, operator and other relevant info. Recently, the site listed about 150 flights in Europe and North and Central America. Members seeking seats on specific routes can register for alerts when such flights are posted. The impediment to per-seat charter among members now, Jackson says, is the lack of critical mass of available seats, though he believes Victor will have enough inventory in the system “in the next year” to create a vibrant market.

Massachusetts-based JumpSeat pairs passengers looking for a seat with aircraft owners willing to share seats, and the company engages in “aerial matchmaking” to ensure the parties are compatible. (Owners have veto power over who may buy seats, based on member profiles provided by JumpSeat.) The company typically doesn’t offer single seats, but rather blocks of two or four. All flights are conducted by legitimate Part 135 operators.

Prospective customers can peruse listings of available flights, get alerts when a listing posts for a desired route or post a flight they are willing to commit to if another member will share costs. Inaugurated in March, JumpSeat says it has approximately 3,000 members (mostly seat buyers) and recently had listings for some 150 upcoming charter flights across North America with seats available. JumpSeat takes a commission on the bookings it facilitates.

Gil Wolin, a long-time observer of the charter/management and fractional-share scene and former employee of many key companies in business aviation, understands the impetus for saving money by securing an empty seat on a charter flight. “I don’t see it as viable,” he said. “It defeats the whole purpose of [private aviation]. You ride [on business jets] so you can go when you want. If you’re ridesharing, that implies a compromise. And second, you can’t have a business meeting. You may or not know who you’re sitting with, and business security becomes questionable.”

However, sharing does make sense, he believes, when a company needs to send a group to the same destination. “It becomes a single-entity charter.” But applying the Uber-Lyft-Sidecar concept of ridesharing in airplanes, which fundamentally depends on people with cars going places where other people need to travel, doesn’t make sense. “Airplanes don’t work like cars,” he explained.

“There aren’t enough people going to a common destination for there to be an economy of scale.”
**NPRM governing charter brokers meets approval of stakeholders**

by James Wynbrandt

The U.S. Department of Transportation (DOT) released its long-awaited notice of proposed rulemaking (NPRM) on enhanced consumer protection for charter air transportation on September 27. It contains four proposals that would require charter brokers to disclose the name of the charter operator to clients; create an “air charter broker” class of indirect air carrier; codify the longstanding exemption allowing air ambulance services to act as indirect air carriers; and clarify guidelines for air charter services performed for the federal government. The Air Charter Association of North America (Acana) is studying the NPRM and has created a five-member committee composed of two charter operators, two charter brokers (in each case one primarily a Part 135, the other a Part 121 provider), and an associate member to draft a formal response. Though Acana was formed to represent brokers, several operators have also joined the organization, and having both on the NPRM study committee “will not only add value to our responses but also add to the credibility of our responses,” said Acana chairman David McCown, Air Partner vice president.

McCown notes Acana has advocated allowing brokers to act as indirect air carriers, rather than limiting them to acting solely as agents for the client of the operator. “This is something Acana suggested to the DOT about four years ago,” he said. “It’s a much cleaner way for brokers to move forward with our type of business; it’s more straightforward, and creates less ambiguity of our role.”

The new indirect air carrier designation would, for example, eliminate problems that have occurred when government agencies contracted with charter brokers for service (as the last of the DOT’s four proposals addresses). The federal government precludes private entities from acting as agents for the government; charter brokers, including Air Partner, have been granted exemptions naming indirect air carriers to fulfill their government contracts.

But McCown said the NPRM likely does not go far enough for charter brokers seeking to raise the bar for membership in their community, which is currently totally unregulated. “I think many members of Acana would like to see this new class of indirect air carrier meet some minimum standards of financial health, industry-specific knowledge and personal propriety,” McCown said, suggesting that Acana’s own membership guidelines, which require proof of financial soundness and preclude convicted felons from joining, could be a starting point for such standards. Aviation consultant Gil Wolin concurred that the NPRM “doesn’t go far enough” in regulating charter brokers. Other brokers expressed pleasure that any regulations had finally been proposed. “It’s about time the DOT is catching up,” said Richard Zaher, CEO of charter broker Paramount Business Jets in Leesburg, Va.

The NPRM leaves the door open to creating standards for brokers, but “the DOT wants to understand how it would be managed, how it would be paid for,” McCown said.

The NPRM also proposes that brokers notify clients of the identity of the operator of the charter flight at the time the arrangement is finalized. “I would say the broker community isn’t 100 percent comfortable with disclosing to the customer—especially a new customer—the name of the carrier until they’ve gotten the signed contract,” said McCown, noting that brokers are concerned charter customers could contact the operator directly to arrange the flight in hopes of avoiding the broker’s commission.

The NPRM also calls for regulating the act of brokering, recognizing that many non-brokers, such as limousine companies and hotels, may also help clients access charter services.

No official data on charter broker activity exists, but Air Partner estimates brokers book about 20 percent, or $600 million of the $3 billion spent on Part 135 air charter annually, and 10 percent/$150 million of the $1.5 billion spent on Part 121 air charter.

“It’s a good NPRM,” McCown said. “[The DOT] is clearly trying to work with us, and we are going to give it a comprehensive review and give the agency some good information back.”

Stakeholders have 60 days from the NPRM’s September 27 publication to submit their comments.