

the **charter** market

AIN special report by Charles Alcock and Meredith Saini

Demand for aircraft charter is rising worldwide, with more businesses and private individuals willing and able to start taking this increasingly attractive alternative to scheduled airline services. Avoiding the growing inconvenience and inflexibility of the scheduled airline network seems to be the main driver of this increasing demand, and these factors are brought into even sharper focus for consumers during times of high security alert.

AIN has surveyed charter operators in North America, Europe, the Middle East and Asia to gauge the current state of the market, understand the factors that drive it and anticipate how it might unfold in the future. We have also spoken to experts and analysts to get an impartial overview of the situation.

While demand for charter is undoubtedly growing, so too are costs, especially the price of fuel. What is less clear is the extent to which this is reflected in charter rates and the degree of transparency with which the industry passes on its costs to consumers.

This AIN special report also looks at the rating systems that are available to assess the quality and capability of charter operators. Additionally, it considers moves to change the regulatory oversight of charter and the debate over access to international charter markets.

For many charter operations demand is now outpacing supply

In this new age of heightened security awareness, air charter service providers are flourishing as more business travelers shun the airlines and the impersonal passenger terminals they inhabit. What's more, industry experts say, this increased demand for private air travel in the face of the relative insecurity and inconvenience of the airlines has created a self-feeding growth mechanism.

"There's been a lot of discussion about the effects of 9/11 and most recently the foiled terrorist attacks in London. I think that's had some impact on the growth of charter, but the primary reason for the growth is that there are lots of different options out there," said Joe Moeggenberg, president of Cincinnati-based Aviation Research Group (ARG/US), which gathers and publishes safety information and reports for the charter industry.

"I've never seen it this busy. As far as we can tell, the industry is up about 20 or 25 percent over last year. Overall, the charter industry has been doing very well. We think the primary reason is that there are so many different products that are available. People can charter a whole airplane, or they can charter a one-way, or buy a card or a fractional share. There are dozens of different ways to buy charter services compared



Charter operators report that recent terror threats have boosted demand for charter aircraft, as individuals seek more privacy and security than the airlines can provide.

to a few years ago. What that's done is open up the market to a lot of people."

"I've been in the charter business for almost 20 years and it has evolved from a romantic, sexy type of industry where people had Learjets and Gulfstreams and they went to Vegas and it was all about perception. Now it's becoming a working tool for business," said Joanne Fothergill, senior vice president of client services for The Air Group, a charter company based in Van Nuys, Calif. "It provides an incredible amount of security, especially in today's unsettled world."

FlightWorks president Scott Beale told AIN that the Kennesaw, Ga.-based operator's revenues were up more than 35 percent in the first half of this year compared with the same period last year. "We were able to meet the continuing demand for charter services by increasing the number of jets in our aircraft management and aircraft charter programs," he said. FlightWorks operates a fleet of about 25 charter aircraft, including a Bell 407.

"It's been a progressive process for quite a while. We're seeing more and more people who hadn't chartered in the past who are recognizing good value in it. We're seeing a higher level



Some charter companies are planning to include VLJs, such as the Adam A700, in their fleets.

FAA Tightens Oversight on Charter

In recent months the FAA has been cracking down on what has become known as "piggybacking" charter arrangements, under which a company holds itself out to the public as a charter provider even though it is really using another company's aircraft and Part 135 certificate.

"I don't think that what they're doing is creating new law, but certain FSDOs have been playing foot-loose and fancy free with the guidelines," said Jim Betlyon, founder and president of CharterX. "Now [the agency is] clarifying and providing examples of what's legitimate and what's not."

In a special seminar held earlier this year for charter industry representatives, the FAA attempted to outline what sorts of charter activity are considered out of bounds, and how Part 135 operators, their staff and crew must conduct themselves to comply with the letter of the law. For example, the agency advised that an aircraft owner or management company that lists itself as "doing business as" an air carrier in the carrier's operational specifications does not authorize the aircraft owner or management company to conduct business as the air carrier. In other words, the name of the operational specifications holder must be the legal name of the certificate holder.

Walter Lamon, president and founder of Wyvern, said that his company's standard naturally weeds out such arrangements. "We have a set of structured rules and procedures for our people to follow to ensure that, if an operator has aircraft located around the country, the proper oversight is consistent throughout the fleet," he said.

"The charter brokerage part of this business is like the Wild West; if you have a cellphone you're in business," said Joe Moeggenberg, president of ARG/US. "We're seeing some shady characters getting into this business. I think the whole industry needs to take a close look at the individuals it's attracting. The FAA's goal, and it's not going to happen for a while, is to get the 135 operators as close to the 121s as possible. The FAA just doesn't have the manpower to oversee the 135 business."

—M.S.

Understanding Charter Ratings

Thousands of charter customers each year look to Wyvern and ARG/US for information about the flights they are contemplating. They want to know about the pilots' qualifications, the maintenance history of the aircraft, and whether the operator carries sufficient insurance, among other things. The two companies offer similar services that help a passenger decide whether or not the flight meets industry-recognized safety criteria. Many operators market the fact that they are rated highly by these consultancies, but what do the ratings actually mean?

Wyvern Consulting specializes in performing on-site audits of Part 135 charter operators' aircraft operations and maintenance practices. Wyvern measures an operator against its in-house standards, developed over the years in conjunction with many of the same Part 91 flight departments and aircraft owners who have, until recently, been required to sponsor an audit of a Part 135 operator.

Wyvern also offers what it calls a Wyvern Desk Review, which provides the customer with an overview of a non-Wyvern recommended charter operator, with emphasis on a particular flight, on a given date and time, and with a specified aircraft and crew. This is similar to the ARG/US TripCheq Report, which provides information about a particular flight. In both cases, a customer is provided with information to steer the decision about whether to accept or decline a particular charter flight.

"Now that we're working with Jim [Betlyon] and CharterX we're able to disseminate more information more broadly. Our auditors have to do less searching and digging in different places, and our analysts have more information at their fingertips," said Walter Lamon, president and founder of Wyvern.

While a charter operator is either approved or not approved according to the Wyvern standards, the ARG/US rating system is divided into four categories of acceptability: Platinum, Gold, Silver or Does Not Qualify. "Our audit is a process audit; what we're looking for is best practices," said ARG/US president Joe Moeggenberg, noting that an on-site inspection is done only for those operators that seek the Platinum rating. The highest rating attainable for operators who choose to forego the on-site inspection and have their operations manuals and documentation reviewed by ARG/US off-site is a Gold rating.

Of the roughly 120 audits ARG/US had slated for this year, Moeggenberg said, fewer than 10 companies have received the Platinum rating. "We're looking to see if the operator has the policies and procedures in place to make sure that they do the right stuff, that they get their training on time, that their records are up to date," he said, noting that 48 charter operators have received the Platinum rating, while 350 operators hold the Gold rating.

"What that means is that those operators have provided us with all their pilot and aircraft data and we do background checks on them annually."

"You can have two airplanes sitting side by side that both look great. One airplane is crewed by a professional ATP-rated crew that has simulator training every six months, they are highly qualified, tons of time in type, the airplane and the crew has had no incidents or violations...everything is just perfect. Right next to it you have one that's crewed by a couple of kids who don't do any simulator training, the airplane's insured by some company in Ecuador and they're both selling for the exact same price, say \$4,500 an hour. The customer doesn't know that one airplane and one flight crew is top-notch and the other one leaves a lot to be desired."

Moeggenberg concluded, "Customers really need to know what they're paying for. The charter operator itself deserves to make a little better margin on the higher-quality airplane. The operation that has done everything right is a lot more expensive to operate than the one that is not doing all the simulator training." —M.S.

While DayJet does not define itself as a charter operator, the per-seat, on-demand service using Eclipse 500s might provide a model for a new type of charter operation.



of performance in the industry and the record is getting better when you look at losses," said Walter Lamon, president and founder of Wyvern Consulting, one of the leading providers of safety information and reports for the charter industry. "There's less anecdotal buying being done than there is due diligence."

for West Coast Charters in Santa Ana, Calif., said her company expects to increase the size of its fleet next year, focusing on small and midsize jets, especially Citations and Learjets. "We consistently seek newer aircraft with state-of-the-art avionics and amenities.

managed charter aircraft. Add to this a backlog of manufacturing orders and it might become increasingly difficult for charter operators to satisfy consumer demand. "I think the industry is very busy right now, which is not necessarily great because they have a shortage of airplanes," said Fred Gevalt III, president and founder of *The Air Charter Guide*.

Fuel prices continue to be a dominant factor affecting the charter industry, although operators have responded to price hikes in various ways. "While some operators have chosen to raise their base rates, others have held their base rates steady while raising their fuel surcharges to a rate higher than current fuel prices would warrant," said Brandon Greene, marketing director for Delta AirElite Business Jets in Cincinnati. "Others have done neither but have chosen to add ramp/facility/FBO or landing fees as new line items to their invoices."

Robert Seidel, senior vice president of charter for Jet Aviation, told *AIN* that his company's hourly charter rates have remained virtually flat since 2000, "which is really astounding to me because the cost of operating aircraft, including salaries for crew, insurance, parts and labor, has gone through the roof. The pricing for air charter services

all inclusive of fuel surcharges I expect will track with fuel pricing. If oil stabilizes in the \$60 to \$70 per barrel range and fuel prices stay in the \$4 to \$5 [per gallon] range, I would expect pricing for the remainder of the year to be flat."

Operators See Big Role for VLJs

Charter operators identified several key factors that will continue to drive the demand for aircraft charter through next year, and in particular the waning appeal of the airlines. "Charter travel, although expensive, is perceived as

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Approximate Average Hourly Charter Rates of Benchmark Aircraft (in U.S. \$)

Model	2006	2005	Percent Change
Bell 206	\$755	\$703	7.4%
King Air B200	\$1,156	\$1,101	5%
Learjet 35	\$1,889	\$1,858	1.7%
Hawker 800	\$2,872	\$2,798	2.6%
Falcon 50	\$3,607	\$3,522	2.4%
Gulfstream III	\$4,317	\$4,220	2.3%

Sources: *AIN's 2005 Charter Special Report and the Spring 2006 edition of The Air Charter Guide.*

AIN interviewed six U.S. charter companies to better understand the charter market in the U.S. The average rates shown support the operators' reports that charter rates have increased in the first half of this year versus the same period last year.

"Buyers are becoming more savvy about getting up-to-date information," said Jim Betlyon, founder and president of Portland, Ore.-based CharterX. In June, the online charter marketplace host acquired Wyvern, creating a venue for consumers to research information on more than 15,000 charter aircraft and the companies that operate them.

Fleet Expansions Likely

Most of the operators *AIN* interviewed indicated that they plan to increase the size of their fleets this year and into next year.

"I think our fleet will grow over the next 12 months...a measured growth. It's not going to be we're taking every aircraft that goes our way," said Jeff Cropper, vice president of charter services for Executive Jet Management, the aircraft management and charter division of NetJets. "We don't have a certain type of aircraft we're looking for, though we're looking for newer aircraft."

Barbara Hunt, marketing director

In addition, we have a client base that prefers the flexibility and reliability of the Beechcraft King Airs." She said that the company is continually seeking to bolster its King Air fleet, which today numbers about 15 aircraft.

However, most of the operators *AIN* interviewed indicated that demand continues to outpace supply, as charter customers compete for flight hours with the owners of

The charter market is also experiencing an increase in demand for helicopter operations, in aircraft such as the Bell 407.



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providing greater value due to on-demand scheduling flexibility, the closer geographic proximity of general aviation airports to business sectors, increased productivity and overall time saving," said Beale.

Mark Reichin, senior vice president of charter sales for PrivatAir, said he expects to see an increase in demand for newer, longer-range aircraft as more customers travel internationally. The Swiss-based company's fleet of more than 50 aircraft—90 percent of which are managed by PrivatAir for their owners—includes such big long-haulers as the Boeing Business Jet, the Global 5000 and the Gulfstream IV. However, Reichin said he also anticipates a growing market for smaller, shorter-range jets, including the new class of very light jets. "VLJs will increase our charter and management business," he predicted.

Some charter companies are already planning to integrate VLJs into their fleets. William Herp, president of Lexington, Mass.-based LinearAir, said his company has 30 Eclipse VLJs on order, with plans to put 18 of those aircraft on the line next year. LinearAir owns or leases its fleet aircraft, which include four Cessna Grand Caravan turboprops, and does not manage any aircraft.

"Next year the VLJs will drive huge demand among current airline travelers, given their dramatically improved economics over existing light jets and turboprops," Herp said, noting that his company's bread and butter is regional trips of less than 500 nm. He said the Eclipse is "ideal" for this travel profile but because the Caravan offers greater passenger and payload capability, the turboprop will remain an important component of their fleet.

"We expect that some of our charter clients might become owners of very light jets; however, we do not expect this to significantly affect our client base," said West Coast Charters' Hunt. "We already had a few clients interested in having us manage and/or charter their light jets but we are unsure of the charter market in this category."

Though it is careful not to define itself as a

charter operator, Delray Beach, Fla.-based DayJet is creating a new service model, something of a charter-airline hybrid, that it calls "per-seat, on-demand air travel services" using the Eclipse 500 very light jet. The idea is that customers will pay for the seats they book, not the entire aircraft, and will fly on "individually negotiated" schedules. DayJet says it will not publish schedules and that flights will be priced "at a modest premium to equivalent regional full-fare coach airfares."

ARG/US Updates TripCheq

In September, ARG/US president Joe Moeggenberg told **AIN** that his company planned to unveil a new version of its online Charter Evaluation and Qualification, or Cheq Report, at the NBAA Convention in Orlando last month. We tested a pre-release version of the new TripCheq system and found it to be fairly user-friendly. Kathleen Tyler, director of sales and marketing for ARG/US, walked us through the program and said that the new quality rating system will use the same "AAA" nomenclature as bond ratings instead of the current green, yellow and red labels. It is possible, for example, for a Gold-rated operator to be associated with a "yellow" labeled trip based on the combination of flight crew, aircraft and mission profile.

"The educated consumers can make some judgment calls" depending on the trip conditions, such as the length of the duty day and the severity of the en route weather, Tyler said. "We give them the information to help them make the decision. Most of the time if it comes back yellow, the customer won't go."—M.S.

In June the company announced that five Florida cities—Boca Raton, Gainesville, Lakeland, Pensacola and Tallahassee—would be the first to offer the service. The company has a five-year agreement with Eclipse that includes firm orders for 239 aircraft and options on 70 more.

Eclipse president and founder Vern Raburn received provisional type certification for the Eclipse 500 jet on July 27 this year at EAA AirVenture in Oshkosh, Wis. The FAA issued full certification on September 30. —M.S.

Growth in international travel, operators expect, will fuel greater demand for long-haul airplanes such as the BBJ.

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European operators report strong market, push for rule changes for fair competition

Europe's executive aircraft charter market has enjoyed strong growth during the first half of this year. Operators AIN surveyed report average increases in sales of around 26 percent compared with the same period last year.

The August 11 uncovering of a terrorist plot to destroy transatlantic airliners departing London prompted a deluge of new inquiries about charter services. The incident has undoubtedly resulted in further increases in business for European charter operators,

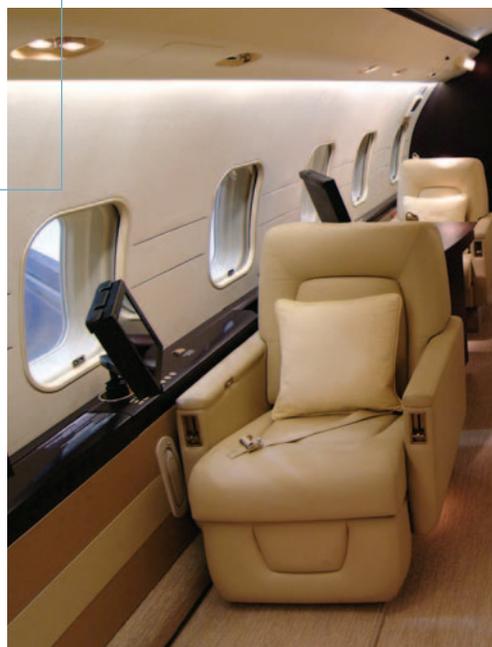
been driven by the hassle and unpredictability of scheduled airline service in a situation where security regulations change frequently.

"After 9/11 people started looking around for alternatives to flying and it seemed that video conferencing would

are willing to pay extra to fly chartered aircraft across the Atlantic. Previously, most Skyjet customers would use its partner operators in Europe and the U.S. but would make the transatlantic crossing via airline service.

Most operators surveyed by AIN have seen the trend for more charter bookings by private individuals for

Germany's Cirrus Aviation is the first European charter firm to operate Bombardier's long-range Global XRS.



but it remains unclear whether this will have a lasting effect on the size and shape of the market.

Hunt & Palmer booked 11 additional flights on August 11 and eight more on August 12, according to Neil Harvey, executive aviation manager with the UK-based broker. "This was just another brick in the wall building the case for charter," he said, when asked whether the uptick will prove to be a lasting phenomenon.

Marwan Khalek of UK charter operator Gama Aviation said that there was certainly a boom in bookings after the August 11 event, which brought scheduled services out of UK airports to a virtual standstill for 24 hours and triggered extreme security procedures that made passengers feel more like jail inmates. "Our job is to keep the people who come to us after this unfortunate situation," he commented. "This is a catalyst for charter and we must capitalize on it."

Judith Moreton, managing director of Bombardier's Skyjet International block charter program, suggested that upturns in demand driven by security are better viewed in a longer-term context. In her opinion, much of the latest wave of interest in charter has

increase," Moreton reflected. "But people soon came back to flying when they realized that there is no substitute for face-to-face contact, and fortunately many new charter customers stayed with it."

What Skyjet has noticed since the August 11 event is that more business clients are using charter for personal trips and growing numbers of them

family/leisure travel. In particular, the World Cup soccer tournament held in Germany during June and July proved a major source of demand for charters.

Charter Rates Rise

Many operators reported increases of between 5 and 13 percent in charter prices over the past year.

This Learjet 45 operated by the UK's Gold Air International is one of about 100 Bombardier business aircraft available in Europe through the Canadian manufacturer's Skyjet International block charter program.



Snapshots of Europe's Charter Operators

London Executive Aviation celebrated its 10th year in business last month and aims to have a 25-aircraft fleet by the end of 2008. This time next year, the operator will be about to take delivery of the first of seven new Cessna Citation Mustangs that it has on order, as part of a long-term strategy to use the new very light jets to attract new charter customers with a network of regional bases around the UK. The firm recently took delivery of a new Bombardier Challenger 300, which joins a fleet consisting of an Embraer Legacy (with a second due to arrive next month), four Citation Excels, two Bravos, three Citation IIs, two Raytheon King Airs, two Piper PA-31 Navajos and pair of PA-34 Senecas. The company is now looking to introduce some larger, longer-range aircraft and is applying for a worldwide air operator's certificate.

France's **Aero Services** is considering plans to introduce its own jet-card block charter program. The Paris-based operator is already part of Bombardier's Skyjet International program and is also thinking about buying more aircraft from the Learjet 40/45 series, as well as larger-cabin jets such as the Dassault Falcon 900.

At its base in Helsinki, Finland, **JetFlite** recently enlarged its fleet with two Learjet 60s and a pair of Challenger 604s. It might take a third Learjet 60 in February as part of a strategy to replace its aging Falcon 20s with what it regards as the most cost-effective midsize jet in the charter market.

Germany's **Cirrus Aviation** added six aircraft to its charter fleet during the first eight months of this year and now operates 16. It reports especially strong demand in the larger-cabin, long-range sector of the market and has enjoyed less competition and improved operating margins in this part of its business. The Saarbrücken-based firm is the first European operator of Bombardier's Global XRS. Meanwhile, the company is preparing to start operating Eclipse 500s on behalf of the UK's JetStar Aviation, which has ordered 50 of the very light jets, with deliveries due to start next spring. —C.A.



In most cases, these increases were attributed largely to rising fuel costs and the need to impose surcharges.

However, others acknowledged that rising demand has also allowed operators to improve their profit margins. For example, George Galanopoulos, managing director of fast-growing UK charter firm London Executive Aviation (LEA), told *AIN*, “During the World Cup, operators were able to charge their ‘normal’ rates. Usually we are not brave enough to do this and we expect aircraft owners to subsidize the rates.” He added that increasing demand for charters by wealthy indi-

Earlier this year London Executive Aviation took delivery of an Embraer Legacy 600 that it will offer for longer-range charters. It will also offer the new Cessna Citation Mustang starting at the end of next year.

viduals has seen higher utilization of aircraft on weekends, which have typically been quiet in terms of corporate bookings.

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Bombardier Set To Unveil New-generation Skyjet

Bombardier is preparing to unveil a new generation of its Skyjet International block charter program early next year. The revised offering is expected to provide members with greater flexibility and more choices, according to Skyjet managing director Judith Moreton.

“We will be reducing the restrictions for our customers and requiring less of a financial commitment up front,” she told *AIN*. Skyjet feels able to relax the program’s rules and provide more flexible service guarantees because of the lessons it has learned from four years in operation. “We know what we can do and we now feel able to take more risk while still delivering on the promises we make,” Moreton explained.

Approximately 70 percent of Skyjet’s charter capacity is still in Europe, provided by about 30 operating partners who fly some 100 Bombardier business jets. In the Middle East there are now six operators with 15 aircraft, and these are often supplemented by aircraft temporarily repositioned by European operators to cope with periods of high demand. In Asia, there are currently 11 aircraft, but this part of the program’s fleet is expected to grow to some 30 aircraft by the end of next year with the scheduled deliveries of new aircraft in that part of the world.

Skyjet has more than 200 cardholders, and the fact that these clients have been buying more hours is reflected by average year-on-year revenue growth of almost 25 percent. The program’s operators are expected to fly just over 10,000 hours for Skyjet this year; an additional 25-percent growth is projected for next year.

Some charter brokers have argued that Skyjet needlessly limits the customer’s choice of aircraft by offering only Bombardier equipment. In fact, a declared aim of the program is to stimulate sales of Bombardier’s jets by introducing new users to them. Moreton said that last year Skyjet “made the difference” in 16 new Bombardier aircraft sales. This year, it has already been instrumental in nine new contracts.

Moreton told *AIN* that Skyjet doesn’t aim to be all things to all prospective charter clients. “We are not looking to get charter bookings in any circumstances or to compete with smaller operators who are only trying to sell small numbers of hours,” she said. “We know all the individual aircraft we offer and we know their operators

intimately. We will always offer the most economical model for each flight, but we do this without exposing our clients to the pitfalls [of being unfamiliar with an aircraft and its operator].” In this context, she maintained that there is currently a large gray market for charter in the Middle East, with some operators blurring the lines between private and commercial operations.

A key facet of the Skyjet business plan is to make existing Bombardier charter operators busier, motivating them to buy more aircraft, as well as reassure new aircraft buyers that their investment will be rewarded with commercial payback. The manufacturer now goes so far as to guarantee charter operators minimum volumes of charter business through Skyjet and pays for these hours whether or not they are used. At least 10 Bombardier buyers now have such contracts and they typically assure about 100 for-hire hours annually for two years. A dividend from this for Skyjet passengers is that the average age of Skyjet aircraft is less than five years, because operators are given the confidence to rejuvenate their fleets.

Moreton firmly believes that extraordinary growth (perhaps as much as 40 percent) in business aircraft usage is achievable in the Far East. China’s booming economy will be the engine for this, but operating restrictions that she called “extreme” are artificially retarding demand.

In Moreton’s view, these restrictions can be, and are being, overcome with patient diplomacy and a humble but informed approach to dealing with officialdom. By way of evidence she pointed to Pakistan, where there had been next to no executive charter business until an existing Skyjet member by the name of Ghouse Akbar decided to form his own operation called Princely Jets, launching it last November with a Challenger 300.

Moreton and her team have helped to advise Pakistani authorities about how this new form of air transport can be accommodated and she has now been invited to join a civil aviation authority committee to recommend ways to develop the necessary infrastructure. Since then the Pakistani province of Sindh has bought a Learjet 45XR for government transportation. —C.A.

Air Partner Offers No-strings-attached Block Charter

Leading charter broker Air Partner International has relaunched and expanded its Jet Membership block charter program under the name JetCard. The UK-based group is guaranteeing access to a “virtual fleet” of business jets operated by approved charter firms.

Air Partner is targeting former and prospective clients of fractional ownership giant NetJets. According to JetCard managing director Jonathan Breeze, the charter program will be more flexible and transparent than other companies’ offerings. There are no fuel surcharges or supplementary fees for using certain airports, and customers will be fully refunded for unused hours at any time for any reason. JetCard rates will be reviewed every six months.

Jet Card offers fixed pricing for flights within Europe (including Scandinavia, Finland and most of Eastern Europe), the continental U.S. (including a 230-mile radius extending into southern Canada and northern Mexico), and Mexico and the Caribbean. These rates also apply for flights between the European service area and the Russian cities of Moscow and St. Petersburg, as well as the Ukrainian capital Kiev and Tel Aviv in Israel. Ferry charges apply for flights that begin or end outside these service areas.

The program offers four groups of aircraft—“light,” “midsize,” “large” and “global.” These cabin classes are billed as having seating capacity for six, seven, 10 and 14 passengers, respectively, and are priced at fixed hourly rates ranging from €4,920 to €17,040 (\$6,297 to \$21,811). For round trips customers get a 15-percent discount on the hourly rates.

JetCard’s “light” cabin category includes the Hawker 400XP and Premier I, Citation Bravo, Encore, Ultra and V, and the Learjet 31 and 40. The hourly rate is €4,920. The “midsize” group includes the Citation Excel, Sovereign and X; Gulfstream G100 and G200; Hawker 800XP, 1000 and 4000; Falcon 50EX; and Learjet 45 and 60. The hourly rate is €7,120.

The “large” group includes the Challenger 601 and 604, Falcon 2000, Dornier 328Jet, Gulfstream G350 and Embraer Legacy 600. Hourly rate is €10,920. The “global” class includes the Challenger 850, Global 5000, Global Express XRS, Falcon 900, Falcon 7X and Gulfstream G450 and G550. The hourly rate is €17,040.

JetCard blocks start at 25 flight hours, and customers can add any number of hours to that figure. The hours never expire. During busy periods, Air Partner pre-purchases charter hours from its selected operators to ensure aircraft availability, which is assured with 24 hours’ notice. In the event an aircraft from a client’s group is not available, JetCard will provide an upgrade at the same rate.

Customers are free to switch among different classes of aircraft, with the differences in hourly rate adjusted according to interchange ratios.

Breeze, who was until earlier this year commercial director of NetJets Europe, said that JetCard is intended to give clients as much flexibility as possible and not trap them in binding and confusing contracts. He claimed that increasing numbers of NetJets owners are finding that they prefer to use the charter aircraft that NetJets books for them when they cannot provide NetJets fleet aircraft. He said that some owners are deliberately waiting until the last minute to book flights to increase their chances of being flown on a charter aircraft. In his view, many charter aircraft are looked after very carefully on behalf of their private owners, whereas the NetJets aircraft work harder and are generally parked outside and away from base. —C.A.

Galanopoulos said that the charter market is always price-sensitive and customers typically call at least two or three operators or brokers. He added that European clients are increasingly conscious of an operator's safety and quality credentials, asking more sophisticated questions about the condition of the aircraft concerned and the experience of its crew. Many of LEA's best clients are property developers and financiers, flying by private jet not so much because they need to but because they can afford to, according to the firm.

Swiss-based Exklusiv Aviation predicted that operating costs will soon be further inflated in Europe by the imposition of charges for carbon dioxide emissions from aircraft engines. The European Commission is expected to make air transport operators join the existing emissions trading plan, probably by around 2010.

All the European operators responding to the AIN survey predicted that the charter market will enjoy rising demand for the rest of this year and into next year. Generally speaking, they explained, the main drivers of this are increasing prosperity and economic growth in Europe—especially in new markets such as Russia.

Several said that new customers had mentioned security and privacy concerns as reasons for trying private charter. And, according to the Swiss-based Jet Aviation group, operators are getting a boost from the business strategy of competing scheduled carriers, which it said are increasingly focusing on high-yield routes on which competition is increasing. "These developments create opportunities for charter operators to increase traffic to smaller airports that are less frequently approached by airlines," the company concluded.

Finnish operator JetFlite said that some of the main headaches it faces are the availability of slots at larger airports, high and unstable fuel prices and inflated landing and handling fees

pressure on the market.

The European charter firms AIN surveyed were united in their opposition to continuing restrictions on foreign charter firms flying into the U.S. They told AIN they resent the fact that under current DOT rules, non-U.S. charter operators can make only six flights into the U.S. each year before they have to apply for a Part 129 foreign airlines license—a costly and cumbersome process that makes it virtually impossible for them to fly ad hoc flights. There is no such restriction on U.S. operators entering



George Galanopoulos, managing director of London Executive Aviation, is concerned that allowing private rules for fractional ownership in Europe alongside commercial rules could create a competitive imbalance in factors such as limits for crew flight duty hours.

Europe, where the permit application process is much more streamlined (see AIN, October, page 1).

"This is a very bureaucratic system in the country that is supposed to be the mother of business aviation," said JetFlite.

Operators also expressed continuing concern about plans to introduce a European equivalent to the U.S. Part 91 Subpart K rules, which allow fractional operations to be considered private. Many respondents took the view that fractional ownership is a commercial operation and should be treated as such to avoid confusion with genuinely private flights.



The airlines' strategy of focusing on larger airports allows European charter operators to attract customers by serving smaller, non-airline airports.

at some airports, such as Moscow Vnukovo. German operator Cirrus Aviation predicted that large numbers of new aircraft due to be delivered to charter operators in Europe—including eventually the new-generation very light jets—could result in excessive

Others emphasized that what matters most is a level competitive playing field between charter operators and fractional ownership providers. "We believe that aviation regulations and standards (runway safety margins, crew duty time and training, for example) should be the same for all operators," said a Jet Aviation statement, avoiding the subject of whether such standards are enforced under private or commercial rules.

Some firms complained that current confusion about whether existing fractional ownership operations are being conducted under private or commercial rules is resulting in some unfair advantages for fractional firms. For example, Switzerland's Exklusiv Aviation said that NetJets is enjoying "an unfair commercial advantage" by allegedly avoiding strict UK Department for Transport security screening requirements because its operations are "perceived" to be private for these purposes, even though NetJets Europe currently operates under a commercial AOC.

Skyjet International's Moreton argued that for the sake of consistency on technical requirements such as runway landing length, commercial rules should cover charter and fractional operators. For example, under commercial rules a Cessna Citation Excel landing at the popular Cannes Mandelieu Airport in the south of France is restricted to carrying two or three passengers, but under private rules the same aircraft could fill more seats.

"Fractional ownership [operators] are putting themselves in a position where they can charter their fleets in some situations [for example, when they sell block hours under jet card terms and conditions], but charter firms themselves don't have this flexibility [to offer both private and commercial flights]," Moreton stated.

LEA's Galanopoulos said that allowing fractionals to operate under both private and commercial rules could create a competitive imbalance in terms of factors such as limits for crew flight duty hours. In his view, the imbalance would be greater if the proposed change resulted in U.S. fractional aircraft being allowed to

operate flights within Europe, having picked up additional passengers. Like many European charter firms, LEA provides additional capacity for NetJets Europe.

Galanopoulos added that a compromise proposal to raise the U.S. limit on foreign charter flights to 12 per year is insufficient. He said that some operators are trying to quietly ignore the restriction, because they find it so frustrating and unworkable. —C.A.

Jet Aviation Pools Charter Capacity in Skylliance

Jet Aviation has signed two European operators for its new Skylliance charter program. The Swiss-based business aviation service group is now in negotiation with about a dozen more operators from across the continent and expects the partnership's combined fleet to include between 30 and 40 aircraft by year-end.

In September, Germany's Silver Cloud Air followed Spain's Executive Airlines in joining Skylliance. Partner operators are audited to safety and service standards set by Jet Aviation, which also provides marketing and sales support for the operators.

Operators pay monthly membership dues, calculated according to the size and number of aircraft in the fleet. These range from €750 (\$955) for a Cessna CitationJet to €2,000 (\$2,547) for an Airbus Corporate Jetliner.

According to Martin Bernegger, senior vice president and general manager of Jet Aviation Business Jets, Skylliance members can recoup their membership dues through operating-cost discounts. The operators get a 5-percent reduction on fuel and maintenance from Jet Aviation facilities worldwide and a 30-percent discount on insurance premiums.

Skylliance members are not obliged to charge pre-set and identical charter rates for their aircraft. The program gets a "small" commission on each flight booked through its Zurich office, but Bernegger said this does not affect the charter price clients pay.



Jet Aviation has launched Skylliance as a partnership to jointly market the services of audited charter providers in Europe and later in other parts of the world.

Customers can use Skylliance's Web site (www.skylliance.com) to request flights via e-mail. They can also call a toll-free number to book flights.

In theory, Skylliance membership is open to any operator that meets the safety and service standards set by the Jet Aviation auditors. In practice, the program does not seek to recruit an operator from the same location as an existing member that serves the same market segment (in terms of aircraft size). In fact, the charter program has offered to sign two operators who are already part of Bombardier's Skyjet block charter program but Skyjet blocked this move.

"We take local rivalries into account," explained Bernegger, adding that Skylliance has a members' steering committee that has voting rights about how the program is run.

Barcelona-based Executive Airlines now operates a fleet of 11 jets (seven of them under management contracts). These include a mix of Cessna Citations, a Dassault Falcon 900EX, a Bombardier Learjet 45 and a Gulfstream G100 and G200.

Silver Cloud Air is based at Speyer in the center of Germany. It operates a pair of Cessna Citation CJ2s.

Jet Aviation is a major charter operator and aircraft management provider. The largest part of its global charter fleet is based in Europe.

Bernegger told AIN that, since announcing Skylliance in May, Jet Aviation has struggled to find time to sign further partner operators because they have all been so busy flying for hire. He said that Jet Aviation is now in negotiations with at least 10 more operators in Europe, as well as several in the Middle East and Asia. —C.A.