

Dashing To Book Exec Charters

By KEVIN HARLIN, INVESTOR'S BUSINESS DAILY
Posted 08/18/2008 04:50 PM ET

Frequent business flyers know the skies are anything but friendly these days.

Rising fuel costs and a sluggish economy are hitting airlines hard. They're upping fares in response, slashing frills and slapping on baggage and fuel surcharges.

They're also cutting routes, making a quick, same-day in-and-out trip to seal a deal all but impossible in many markets.

Charter plane operators and brokers face their own problems. But they say the airlines' pain may ultimately be charters' gain, as more time-strapped and deal-hungry execs give their cabins a try.

Evidence of the trend is more anecdotal than statistical. But flying charter may be an emerging option for some execs.

"Anybody who's trying to get some place fast with first-class service, private aviation is the only choice," said James K. Coyne, president of the National Air Transportation Association, which represents the fixed-base operators, charter services and other non-airline businesses at airports.

The charter jet industry is a fragmented business, with hundreds of operators and brokers. There's little in the way of current, hard industry data. But the Federal Aviation Administration, in its latest figures, says the number of general aviation hours flown — virtually everything except military and scheduled airline service — was down 23% in 2006 from a peak in 1999.

Industry analysts say 2007 was a good year for corporate jet travel, though 2008 has been sideswiped by higher fuel prices and looming economic fears.

Coyne thinks 2009 and 2010 could pick up the slack, as airlines continue to pare service.

In the meantime, many operators are trying to shrink their fleets.

Prices for used jets are coming down, and inventory is up.

Small-Jet Costs Down

Dan Hubbard, a spokesman with the National Business Aviation Association, says he's heard that the price of Jet A — a common small jet fuel — is down 10% to 20% at some airports, as the jets sit parked. AvGas, another common fuel, is down 30% to 40%.

But some charter brokers say their best times are now.

Those firms operate akin to mortgage brokers, booking corporate fleets when they're idle, or the unused return leg on a charter operator's one-way flights. Several say June was their best month ever. July numbers were strong too.

Some large corporations and charter companies also overbought aircraft during the industry's boom time in the early part of the decade.

"They're choking on the metal. They bought too much," said Todd Rome, president and founder of Blue Star Jets, a brokerage in New York City. He says operators are begging him to book their jets, which would otherwise lose money sitting idle on runways.

Of course, corporate jets are still a costly way to fly.

Los Angeles broker ElJet says a typical one-way flight on a light jet from Van Nuys, outside of Los Angeles, to Teterboro Airport, outside New York City, would go for about \$12,750 one-way.

Larger jets cost more.

A last-minute coach fare between major airports in those markets midweek in early August was as low as \$400, though it usually costs more. Business-class tickets were mostly well over a \$1,000.

First-class seats go for about \$2,500.

Group Charters May Work

But those small jets can usually seat five or more people. So if a large corporate group is moving together, the economics might make sense.

For those who can afford the tab, private jets deliver fast, direct flights, without the long security lines and chances of missed connections or lost bags. And operators hype the luxury of being a member of the charter jet set.

The glut of idle aircraft gives brokers some bargaining power. That helps them hold down rates in the face of rising fuel costs.

Rome says his prices at Blue Star Jets include all fuel charges, so fliers know exactly what they're paying upfront. An executive or company that owns a jet — or part of a jet in what's called fractional ownership — won't always know how high the fuel costs will be.

Ben Schusterman, vice president of ElJet, says his biggest increase in flyers comes from people who used to be fractional owners, or buyers of jet cards — in which a customer prepays for a certain number of hours on a jet.

He, too, says business is up, despite fuel costs and the weak economy. The company isn't public and doesn't release sales or profit figures.

For the most part, these smaller jets have good safety records. But there have been accidents, including the crash last month of a Raytheon Hawker 800 in Minnesota that killed all eight aboard. The cause is still being probed.

Challenges On Horizon

Bob Mann, an independent airline analyst at R.W. Mann & Co., thinks brokers and charter operators could face tough times ahead.

The economy is slowing. Even large companies have tried to keep their C-level staff on the ground. Gone are most of the dot-com millionaires jetting off to Aspen for an afternoon of skiing.

Brokers and operators say some of that business has been replaced by Europeans and other foreign business execs, whose currencies go further because of the weak dollar.

Mann also says high fuel prices hit charter operators and brokers harder. They typically buy their fuel at spot prices at the airport.

They don't have the fuel hedges and huge volume discounts available to the major carriers.

Mann concedes that there is an advantage to being able to fly in and out of a location on the same day for a quick but important meeting.

"That's hard to do, and come this fall, its going to become a lot harder" on regular commercial flights, he said.