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THE PILOT

A CONVERSATION WITH
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Faster, Smaller, Cheaper

Very light jets, or air taxis as they are commonly referred to, are making a seemingly strong debut that could be of concern to airlines serving business travelers.

By Eric Meyer | Ascend Contributor

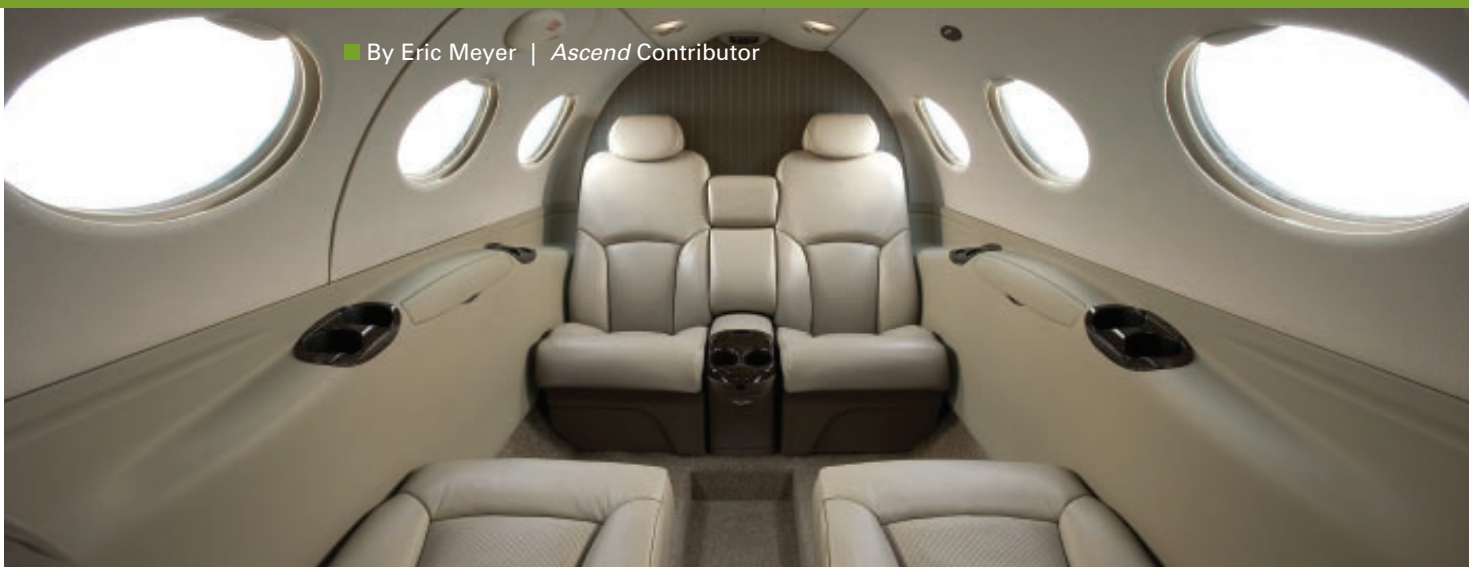


Photo courtesy of Cassina

Taking off for the first time this year will be small, speedy, cheap jets that big airlines worry will cause traffic jams around major metropolitan areas.

Called “microjets” or “very light jets,” they’ve been likened to minivans with wings. With two engines and seating capacity for five or six people, priced between US\$1 million and US\$3 million, they compare favorably with the US\$6 million to US\$40 million that one would have to spend to acquire a current business jet. What’s more, they cost about half as much to operate per hour as traditional small business jets, vastly broadening their market potential. Studies have shown that a 50 percent reduction in cost — compared to today’s business jet pricing — could multiply demand by a factor of 10.

These VLJ have autonomy of up to three hours of flying time, they cruise at altitudes and speeds similar to those of mid-range airliners, and they have unique characteristics, including:

- Seat six or fewer passengers,
- Weigh less than 10,000 pounds,
- Have two jet engines,
- Cruise at speeds averaging 430 miles per hour (commercial aviation: 500 miles per hour),
- Have a range between 1,100 nautical miles and 1,300 nautical miles,

- Feature advanced cockpit automation, automated engines and systems management, and integrated autopilot and flight guidance systems.

In addition, very light jets can operate from much shorter runways than commercial airliners, meaning that they can utilize the hundreds of satellite airports throughout the United States, Europe and other regions of the world. Two VLJ were certified by the U.S. Federal Aviation Administration last year: the Eclipse 500 from Eclipse Aviation and the Cessna Mustang from Cessna Aircraft, with more coming up for certification during the next two years (Embraer Phenom 100, Adam Aircraft A-700 and HondaJet).

Their affordable economics as well as their ability to land and take off from uncongested airports have made them a possible substitute for commercial aviation, and various operators have come forward saying they will operate those airplanes as on-demand air taxis, much like an automobile taxi service, at prices not much higher than an unrestricted business-class ticket on a traditional airline. These operators plan to serve underutilized small airports as a way of bypassing congested hubs for business travelers.

The first such operator, DayJet, recently began operations in Florida, offering access to more than 50 airports within the state. These are not scheduled flights. Anyone can call DayJet and book an airplane to go from point A to B within the state at an average cost of US\$3 a mile versus US\$10 to US\$25 a mile for traditional business jets such as a Cessna Citation or a Gulfstream G-IV.

Given all their advantages, some view the advent of VLJ as a game-changing technology that will have the same impact on business jet flying as the low-cost model has had on the commercial aviation sector. In fact, the VLJ phenomenon has been described alternatively as “business jets — light” or “the low-cost business jet.”

Should traditional network and flag carriers be worried? After all, those VLJ are targeting the same business professionals who currently pay full fare, the most profitable segment in the industry.

The new business model is too recent to bring any definitive answers. With the exception of DayJet, most air-taxi companies have not yet begun operations. That is expected to change later this year when the first VLJ start rolling off the production lines in sufficient quantities.

However, unique regional characteristics already exist that will shape how the VLJ phenomenon plays out.

VLJ In The United States

Taking into consideration the nature of business travel in the United States, there is a strong case to be made for the economics of an on-demand air taxi model:

- The majority of business trips (84 percent) are regionally based,
- 90 percent of Americans live within 30 minutes of one of the nation's 5,000 underutilized small airports,
- 99.88 percent of all air passengers travel through the 500 commercial service airports and 70 percent travel through the 31 largest hub airports.

It is air-taxi operators' intention to capture a percentage of regional business traffic, thereby bypassing congested hub airports. Given the time gained and the favorable economics, early indications are that this value proposition resonates well with mid- to senior-level executives.

The threat posed by the VLJ business model will then be more of an issue for commuter airlines than for network carriers. Commuter operators stand to lose to air-taxi operators some of their short-haul, high-yielding business passengers.

In addition to DayJet, other air-taxi companies are ramping up operations. POGO (led by former American Airlines Chief Executive Officer Robert Crandall) will commence operations this year, targeting business travelers with operations centered in the northeastern United States.



Photo courtesy of Cessna

Unlike many light jets, the Cessna Mustang has no overhead panel. On this VLJ, all the switches and gauges are on the instrument panel and center console, which also carries the thrust levers, pitch trim wheel and co-located indicator, flap lever, an alphanumeric keypad for the flight management system, and the switches for aileron and rudder trim. Jets are traditionally fitted with "thrust levers," but Mustang's are called throttles.

VLJ In Latin America

There are more business jets and turbo props in Brazil than in any other country outside the United States and Canada. As a region, Latin America and the Caribbean operate more turbo props than Europe or Asia.

With VLJ manufacturers forecasting more than 60 percent of their sales outside the United

States, Latin America is an enticing market. With a poor road network and few railways, Latin America has relied on private aircraft for business travel. As the Latin American economies gain momentum and the boom in agriculture generates business in areas far removed from the big industrial centers, demand for new air service keeps growing, and VLJ will definitely have a role to play there.

VLJ In Europe

The impact of VLJ on European commercial airliners is harder to predict because the new aircraft are heavily dependant on the level of air travel infrastructure, the availability of substitutes such as rail and car, and pan-European air traffic regulations.

In Western Europe, where 50 percent of all business-class flights are less than 500 kilometers, flying commercial airlines is no longer a good value because of:

- Interminable security checks at airport hubs,
- Mounting delays,
- Lack of flexibility with scheduled flights.

Alternatives such as high-speed trains — especially in France and Germany — exist but are not practical for many travelers because they almost always require connecting through a major rail hub such as Paris, Frankfurt or Berlin. VLJ should be an attractive alternative to those business travelers, most likely at the expense of traditional carriers.

Eastern Europe markets, particularly in Russia, Poland and Turkey, are developing rapidly, yet they lack the air infrastructure to accom-



Photo courtesy of Eclipse Aviation

Eclipse 500 VLJs are assembled in a 50,000 square-foot production facility in Albuquerque, New Mexico, and feature Eclipse Aviation's breakthrough friction stir welding process, an advanced manufacturing process that the company was the first to use in the assembly of thin-gauge aluminum aircraft.



moderate their rapid growth. There is still a dearth of air service to and within those countries. Yet, with more than 1,700 airfields in Russia and 530 in the Ukraine, the potential for VLJ is there. According to Eurocontrol, most of the 100,000 city pairs in Europe are not linked by direct flights. Only 10 percent of city pairs within the European Union are connected on a regular basis, and only 3 percent are connected on a daily basis.

As a consequence to those opportunities, many air-taxi companies are preparing to begin operations in Europe (Blink in the United Kingdom, Jetbird in Switzerland, byJets in France, GlobeAir in Austria, JetReady and TaxiJet in Spain, AirCab in central Europe).

There are, however, some inhibitors to the success of VLJ growth in Europe. Over-regulation, an active and powerful anti-aviation lobby, carbon trading, and crowded air corridors in the west are all issues that could prevent VLJ from taking off in Europe. Flag carriers have begun paying attention to that segment of the market. Some airlines are studying the feasibility of buying and operating very light jets as a way to route their high-contribution passengers expeditiously to their hubs for their onward international journey.

VLJ In Asia

In general, distances within Asia are too great to operate very light jets — with their 1,200 nautical-mile range — as a credible alternative to commercial aviation, so yield premiums should be safe for most of the flag carriers in the region, with the possible exception in fast-growing regions where the basic commercial aviation airport infrastructure has not kept pace with the growth in air traffic. In countries such as China and India, access to regional airports as a way to bypass congested hub airports is a credible alternative for VLJ as is access to out-of-the-way



Photo courtesy of Cessna

The Mustang was the first of its class to receive full-type certification and certification to fly into known-icing conditions. It's also the first VLJ to be delivered to a customer and makes Cessna the first company to obtain an FAA Production Certificate (in 2006) for a very light jet.

United States — with one-fourth the population and roughly the same size as China — has more than 14,000.

VLJ In The Middle East

Regional aviation experts believe VLJ will prove highly popular when they enter the Middle

East makes the Middle East one of the most ideal markets for this new generation of small business jets.

New terminals for executive jets are under construction or have just been completed in Abu Dhabi, Qatar, Bahrain and Dubai. The private jet industry in the region is worth about US\$400 million annually, according to the Middle East Business Aviation Association, and has been growing at an annual rate of 10 percent to 15 percent.

“Business aviation in the Middle East will be worth about US\$800 million by 2012 — double its current level — as people increasingly turn to “aviation-on-demand” for privacy, safety and corporate efficiency,” said MEBBA Chairman Al Naqbi.

In other words, most of the carriers in the region — except for those that primarily fly long-haul international routes — should pay close attention to this development if they want to protect their yield. ■

HIGHlight

Given all their advantages, some view the advent of VLJ as a game-changing technology that will have the same impact on business jet flying as the low-cost model has had on the commercial aviation sector.

places not yet served by regular commercial aviation. But even this development is limited by the number of regional airports available in those two countries. China has 480 regional airports and India only has 330. For comparison purposes, the

East market, *Gulf News* recently reported.

The relatively small distances between the Gulf’s business hubs, the increase in business traffic in the region and the high level of disposable income in the region

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