



Charter Market Report 2018

by James Wynbrandt

Consolidations cap a growth year

Strong growth in charter flight activity outpaced gains in Part 91 and nominally advancing fractional operations in the U.S. over the past year. Global charter ops also increased as a surge of consolidation among major providers redefined the marketplace. Technology was the driving and enabling force behind much of the industry news, and a primary focus among providers seeking to maximize efficiencies and opportunities—that is, virtually all of them.

U.S. Charter Activity

Part 135 flight activity grew 4.5 percent during the first half of 2018 compared

with 2017, to just over 550,000 flights, levels not seen for a decade, while Part 91 activity rose 1.3 percent and the fractional fleet gained 0.4 percent, according to Argus International.

“I think we are back where we were pre-recession,” said Joe Moeggenberg, Argus president and CEO. “The good news is business is very good. The bad news is the industry is experiencing some issues with lift and having a hard time finding newer aircraft with all the amenities to meet the demand. That’s exactly where we were in the 2008–09 time frame.”

Major operators far outpaced the

industry’s 4.5 percent growth rate, with total hours for the top 25 rising from about 467,000 in 2017 to 535,000 in 2018, or 14.6 percent.

“The top operators aren’t adding a lot of new airplanes, but they’re running a lot more efficiently,” said Moeggenberg. “Everybody has figured out how to fill up a lot of these empty legs. Operators have done a really good job of optimizing their fleets.”

Indeed, the combined charter fleets of the top 25 operators grew only 2 percent—from 1,023 to 1,044 aircraft from mid 2017 to mid 2018.

Though Part 135 activity continues to



see positive growth, the rate has slowed recently, posting in June the first year-over-year (YOY) decline in activity in 25 months.

Gama Aviation, which operates Wheels Up’s Citation Excel/XLS and King Air 350i aircraft, in addition to its managed fleet, retained the top spot in charter flight time with 72,885 flight hours. The 18 percent rise over the prior year was in line with the 18 percent growth in its charter fleet from 99 to 117 aircraft. More information from providers and news of the past year follows.

The consensus in the charter community has for some time been that the industry is ripe for consolidation, but the rollups contemplated usually involved one operator or broker acquiring another. The recent amalgams, however, are modeled as holding companies, acquiring and offering a spectrum of access options for customers and growth opportunities for the organization, rather than simply more aircraft and economies of scale.

A one-two consolidation punch came from Thomas Flohr’s Vista brand, with the establishment of Vista Global Holding (VGH) in late August followed by the new entity’s September purchase of XOJet, owner/operator of the third-largest U.S. charter operator (based on flight hours). VGH, headquartered in Dubai, aims to “consolidate the fragmented business aviation market,” according to the company, and offer a spectrum of “asset-lite” services: the flagship VistaJet fleet provides guaranteed access for customers who buy block hours; VistaJet’s app provides access to on-demand charter for customers whose empty-leg purchases have allowed VistaJet to eliminate repositioning fees for its block-hour customers; VGH also offers leasing for customers who want a dedicated aircraft at their disposal. With California-based XOJet, VGH gets a U.S. charter operator, broker, and subscription-service provider that dominates the mid/super-mid cabin charter market.

The VGH launch comes with a \$200 million investment from longtime private equity firm backer Rhône Group.

VistaJet’s fleet access app notwithstanding, an element absent from VGH is a digital division to tap into the nascent global shared-access charter space. Interestingly, XOJet’s exclusive online sales agent is JetSmarter, the membership charter broker, which has also been developing a mobile booking app for the company. In August, CEO Brad Stewart said the app was virtually complete, but “there’s a little bit of



Top U.S. Part 135 Operators in 2018

Rank	Operator	2018 Hours	2017 Hours	2018 Fleet Size
1	GAMA AVIATION	72,885	61,651	117
2	EXECUTIVE JET MANAGEMENT	58,305	52,566	136
3	XOJET	46,739	45,254	43
4	DELTA PRIVATE JETS	40,239	36,665	69
5	JET LINX AVIATION	32,568	28,956	81
6	SOLAIRUS AVIATION	26,784	22,466	54
7	TRAVEL MANAGEMENT COMPANY	24,416	36,702	42
8	JET EDGE	21,643	18,025	46
9	JET AVIATION	21,612	15,060	48
10	CLAY LACY AVIATION	17,585	14,152	64
11	CORPORATE FLIGHT MANAGEMENT	17,446	16,204	28
12	EXCLUSIVE JETS	15,940	7,092	30
13	JETSUITE AIR	13,829	16,458	16
14	ENCOMPASS AVIATION	13,095	2,611	8
15	MOUNTAIN AVIATION	13,076	9,209	27
16	LANDMARK AVIATION	12,918	12,225	42
17	AERO AIR	11,796	10,702	25
18	RED WING AEROPLANE CO	10,059	8,302	13
19	JET SELECT	9,725	7,190	27
20	WORLDWIDE JET CHARTER	8,864	7,848	14
21	SC AVIATION	8,848	7,469	19
22	MERIDIAN AIR CHARTER	8,801	8,492	23
23	TALON AIR	8,785	9,408	24
24	LJ ASSOCIATES	8,460	7,572	23
25	BERRY AVIATION	8,218	5,549	25

Source: Argus

*Note- 2018 Fleet Size based on DO85 dated July 2, 2018
*Note- 2017 Fleet Size based on DO85 dated July 3, 2017
*Note- Excludes Medical Operators



Gama Aviation

hesitation to launch until we have an outcome on the sales process,” to give XOJet’s buyer a say in any decision. (XOJet owners TPG Capital and Mubadala put the for-sale sign out a year ago.)

But with the stamp of approval that comes with its purchase, why back away from a technology developer that revived

the per-seat market? That’s the kind of capability VGH might like in its portfolio.

In the midst of the Vista activity, in September OneSky, a Ken Ricci Directional Aviation Capital (DAC) company, solidified its digital underpinnings, acquiring UK-based online charter broker PrivateFly. OneSky’s access portfolio includes fractional provider

Flexjet, jet card provider Sentient Jet, and on-demand charter provider Skyjet. OneSky has been enhancing operations at Skyjet, its “current digital on-demand charter broker,” and recently gave Andrew Collins, Sentient president and CEO, oversight of the brand. OneSky will now harness PrivateFly’s technology with Skyjet to amplify the latter’s digital signal.

In January Clive Jackson, founder of UK online charter portal Victor, announced the formation of Alyssum Group, which aims to “pursue a long-term acquisitive plan within general and business aviation which will help raise business standards across the sector, encourage innovation, and boost growth,” Jackson said. An additional \$18 million investment in Victor, Alyssum’s primary asset, will jumpstart the acquisitions. In February Alyssum bought longtime vendor RocketRoute, which provides flight-planning, fuel, and concierge services through its Marketplace and FlightPlan platforms. Jackson is CEO of Alyssum Group and Joe Cohen has assumed his vacated CEO spot at Victor.

The Digital Frontier

“A Facebook presence sells charter, it can now be confirmed,” declared Adam Twidell,

Vacation tours by chartered jet

Custom luxury vacation tours by private jet featuring unique experiences and access to exclusive events are trending. UK full-service provider Air Charter Services offers customized tours designed around events like European Fashion Week and the Super Bowl, and China’s Deer Jet this year offered a weeklong Cannes Film Festival tour on its Gulfstream G550 that included red-carpet invites to the opening-night gala.

“People are increasingly starting to value experiences over things, meaning that they are putting a higher priority on travel and looking for unique experiences,” said Elisabeth Nelson, managing director for private travel, TCS World Travel, which

offers customized tours in partnership with veteran U.S.-based luxury tour organizer Travcoa.

Abercrombie & Kent (A&K), which helped launch the trend with its round-the-world tours aboard all-first-class airliners, now offers customized tours via bizjet for up to 16 travelers. A&K spokesperson Jean Fawcett said many customers actually have their own aircraft but “the logistics of trying to do it on their own can be overwhelming.”

Last fall NetJets teamed with Four Seasons Resorts to offer custom vacations linking the hospitality company’s properties by the NetJets’ fleet. ■



CEO of PrivateFly, citing the ability to broker trips from postings on the platform, and signaling social media's new status as a bizav marketing tool.

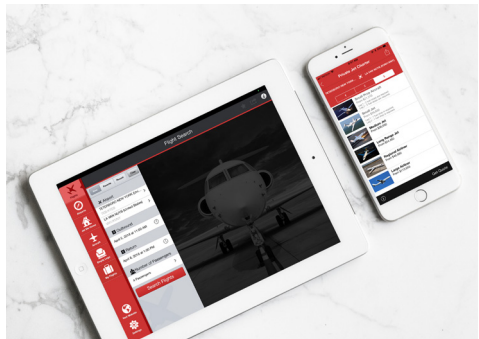
Besides its purchase by DAC, PrivateFly, celebrating its 10th anniversary, last November acquired U.S. broker Bird Dog Jet, folding the Nevada shop's leadership into the Fort Lauderdale, Florida office PrivateFly established in 2016.

Twidell noted PrivateFly's digital platform features the ability for operators to see one another's pricing. This enables small operators to be "nimble on pricing" and compete with larger players, while also allowing all to see when they are able to increase prices. "I don't think any other platform offers this," he said.

Over the past six months, NetJets-owned Executive Jet Management (EJM) has focused on client-centric technology improvements, said Mike Tamkus, senior v-p for client services and management sales. "Multiple IT projects are currently under way, leveraging technology solutions as well as internal systems, to improve communication and provide real-time data between departments and our clients."

EJM has "also increased staffing levels in our safety, training, charter, owner services, maintenance, and finance teams," Tamkus said, and earlier this year Brian Hirsh, formerly president of NetJets' aircraft sales brokerage arm QS Partners was named EJM's president.

Last year, Dallas-based charter brokerage Horizon Air Group became an operator with its acquisition of Starbase Jet and its AOC. Shortly after, Alaska Airlines, parent of regional airline Horizon Air, notified the charter company of concern about possible brand confusion, says Luis Barros, CEO of what is now the Leviate Air Group, the renamed full-service provider.



PrivateFly started operations 10 years ago betting on the popularity of digital platforms.

Brokerage continues annual growth in excess of 40 percent, Barros said, and on the operator side Leviate recently added a Challenger 300 and Learjet 45 to its air operator's certificate.

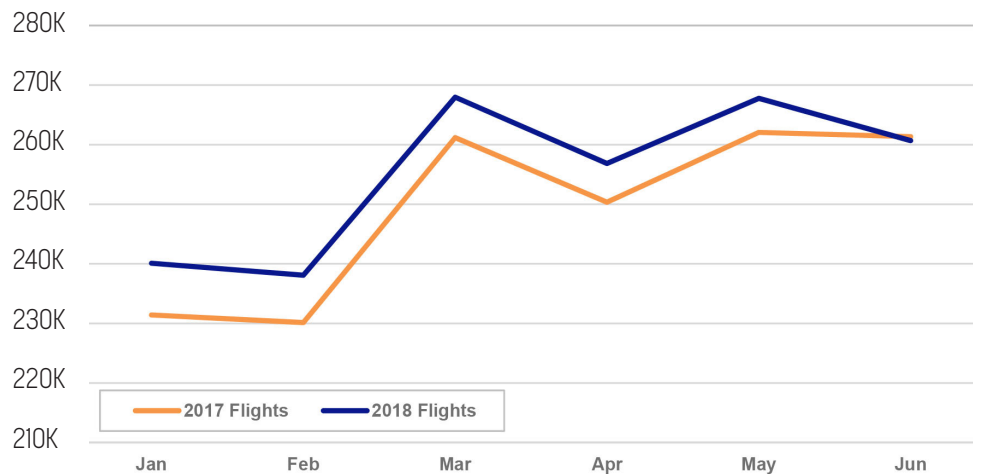
Jet Aviation has no digital presence, yet its flight hours climbed some 44 percent (to 21,612 hours) on fleet growth of just 9 percent (to 48 aircraft). "We don't have an app or per-seat charter," said Don Haloburdo, senior

v-p of flight services. However, he added, "We certainly recognize that things are moving in that direction." So is Jet Aviation thinking of moving in that direction? "Yes," Haloburdo said, quickly adding, "I can't elaborate."

Haloburdo also said Jet Aviation would like to offer more lift at the light end of the fleet to bring in more customers new to charter but "the hourly rates tend to be much lower, so it becomes a little



BUSINESS AVIATION FLIGHT ACTIVITY



The first six months of this year marked growth from last year. The increase is the result of efficiency, not additional equipment.



challenging: how much work and effort do you exert to make sure you have a diversified fleet business model, without focusing too much energy on a segment of the market that's not as profitable?"

Lider, Brazil's oldest bizav firm, has introduced a mobile app providing "a path from the market to Lider," and permitting charter and empty-legs bookings at a discount, said Philippe Figueiredo, aircraft sales director. For customers who prefer the personal touch, "the telephone will keep working." Lider also operates a chain of FBOs and is Brazil's exclusive HondaJet distributor.

Expanding Their Reach

After gaining an East Coast foothold last year with the purchase of Oxford, Connecticut-based Key Air, Clay Lacy Aviation

this year added offices at New York's Westchester Country Airport; Miami-Opa Locka; Portsmouth International in New Hampshire; and Lewis University Airport outside Chicago/Romeoville, Illinois.

Hours at Clay Lacy rose 23.6 percent to 17,585 hours on 12 percent fleet growth, with some of that time coming from recipients of the company's Gift of Flight cards. An entertainment company last year gave team members \$3 million worth of the cards in denominations of \$100,000 to \$300,000 "in gratitude for a job well done," said Veriar Collins-Jenkins, v-p for charter and managed services.

This year, the company retired its lone Learjet 55 and a Learjet 35 from its fleet, "a difficult decision owing to Clay's history with them," said Collins-Jenkins, alluding to the

longstanding connection between the company's founder and the Learjet brand. They'll be replaced with a CJ3, a Phenom 300, and a Learjet 45. Last year, the company said it would put more emphasis on looking for lift on the open market to meet charter requests, rather than on its own fleet, and Collins-Jenkins said that effort has been "hugely successful."

Focusing on the Northeast, Jet Linx, fifth-largest operator in the U.S., has added bases in Boston (Bedford) and Chicago, with plans to open a Jet Linx terminal at Teterboro Airport in New Jersey by the new year, bringing its facilities count to 17. Jet Linx partners with existing FBOs and refurbishes their facilities and is eyeing additional expansion opportunities, particularly on the West Coast, said Jamie Walker, president and CEO. Jet Linx, which offers only jet cards, saw flight hours rise 12 percent to 32,568 on a fleet decline of 10.9 percent to 81 jets. The company now has some 1,500 clients, Walker said.

Walker sees more aircraft joining the U.S. charter fleet. "Aircraft owners today are much more savvy," he said. "They realize this can be a revenue-generating asset when it is [otherwise] idle. We see the trend moving in that direction and think the [Part] 135 fleet will continue to grow."

Also adding a terminal to its operations,

The Gray Lady gets onboard private aviation

In a sign of private aviation's mainstreaming, the *New York Times* this year published three lifestyle articles on private aviation: a *New York Times Magazine* feature about VistaJets' onboard children's program; a January piece on the affordability of private jet travel; and an August article on family college tours by private jet offered by XOJet. (Magellan Jets has been selling a 10-hour college-tour jet card for several years, but the XOJet program brings college placement experts into the process). ■



charter/management company Chantilly Air will build an FBO at its Manassas Regional Airport (HEF) home. The 24,000 sq-ft, three-story FBO will have a passenger lounge, conference room, flight-planning area and fitness center, and the expansion includes a 60,000-sq-ft heated hangar. Caleb Stitely, Chantilly's marketing and client relations manager, noted HEF offers "shorter wait times for taxi and takeoff" than other D.C. airports. Completion of the \$13 million facility is expected by the end of 2019.

New Access Programs

Priester Aviation is reformatting its Centerline access program "as a traditional jet card product," a national, hours-based offering with guaranteed availability, said Gary Gennari, senior v-p for charter sales. Meanwhile, its expanded brokerage business accounts for half of Priester's charter revenue, he said. The Wheeling, Illinois-based company has seen a growing demand for mid- and super-midsize-cabin jets, driven by low charter rates for the category, Gennari said.

Charter management company Solairus Aviation has introduced Altitude by Solairus, offering fixed one-way pricing on select routes aboard light, mid- and super-midsize-cabin jets. Meanwhile, to spur near-term bookings, the company features its Cleared fleet, aircraft requiring no owner approval and ready for quick departures.

Solairus features a rotating selection of four to five Cleared jets on its website, spotlighting aircraft that "have a lot of availability for the month," said Paul Class, senior v-p of charter sales.

Hours and charter fleet at the sixth-largest U.S. operator both grew 12.5 percent over the past year, to 26,784 hours and 54 aircraft. But despite the size of its fleet and its California base (Petaluma), Solairus never had a charter aircraft at the state's (and nation's) busiest bizav hub: Van Nuys. This year a VNY-based Falcon 900EX and G450 joined the fleet.

Delta Private Jets (DPJ)—jet card, charter and management arm of Delta Airlines—launched its Sky Access online membership program this year, offering unlimited access to free empty-leg flights and discounts on some return flights on Delta. (Introductory memberships cost \$8,500; annual renewals are \$6,000.) For potential customers put off by per-seat charter, "members are able to book the whole aircraft without sharing it with others," DPJ emphasizes. Its proprietary AmpliFly technology provides up to 30 alternate destinations (e.g., Pittsburgh, Detroit, and Chicago between New York and Milwaukee) and 10 preferred airports on an empty-leg route. Customers can view the options in real time online or via an iOS app. A 20 percent discount on select return-trip fares on Delta from empty-leg destinations is

available. Members also get fixed hourly rates for on-demand charter.

Card & Membership Programs

Jet card provider Sentient Jet now has "well north" of 6,000 cardholders, said company president and CEO Andrew Collins, and more than one quarter of them book flights via its mobile app. "We're booking millions of dollars through that app. It's a very robust structure that continues to develop," he added.

But technology can take a back seat to nature, and "large providers have to start building extreme weather into their business models," said Collins. "Last year we had the trifecta of the [Hurricane] Harveys of the world. We have to be on our toes and ready. We guarantee a product to get people out of places [in harm's way]. We had to overinvest to do that, and we learned a lot."

SkyJet, Sentient's sister on-demand brokerage, added its first card program, Explorer, last fall. The \$9,500 membership provides guaranteed access to four categories of aircraft at fixed hourly rates. More than 30 percent of SkyJet's bookings come through digital channels.

Sentient Jet is among the many providers burnishing their appeal and membership benefits through partnerships with luxury brands and signature events. The company was Preferred Private Aviation Partner for the Kentucky Derby and Churchill Downs Racetrack

Illegal charter and broker regulations

Illegal/gray-market charter is back in focus in the U.S. and Europe. National Air Transportation Association (NATA) members complained about an increase in the practice, and after discussions with the FAA, in May the organization formed an illegal-charter task force. Europe's BACA—the Air Charter Association teamed with the European Business Aviation Association that same month in a complementary action.

No reliable data on illegal charter activity exists, but it's thought to be increasing, spurred by the variety of access schemes and lack of regulatory enforcement. Given the new, shared models under Part 380, even charter professionals "can't always tell" whether a novel low-cost offering is legal, said John McGraw, director of regulatory affairs at the

NATA. "It's complicated," he said.

In Europe, scofflaws' apparent impunity has legitimate operators questioning the return on investment for regulatory compliance. "If we're just going to accept this is allowed to happen, what's the point of having an AOC [aircraft operator certificate]?" asked Dave Edwards, BACA's CEO.

Flexing its enforcement powers, in July the FAA proposed a civil penalty of \$3.3 million for a Michigan-based real estate firm for charging passengers on its Part 91 Beechjet 400A and Hawker 900XP flights "more than the expenses allowed" under the FARs.

Going forward, the FAA will also provide more follow-up information to tipsters who report suspicious activity via the Air Charter Safety Foundation's

longstanding illegal charter hotline (888-SKY-FLT1; 888-759-3581).

Meanwhile, in September the Department of Transportation (DOT) released its regulations on charter brokers, titled "Increasing Air Charter Transportation Options," five years after the NPRM appeared. The rules create a new indirect air carrier category under a new Part 295 but stop short of requiring licensing or standards

Argus International is among auditors that complained their emblems were being used on the sites of some unaffiliated operators and brokers. "Now we just have to get them to enforce that rule when it becomes law on Feb. 14, 2019," said Edward Wandall, the company's director, safety analysis.

Argus has put a list of all of its subscribers on its website so charter customers can verify providers' rating claims. ■



for the third year running, and offered clients a Derby Day breakfast hosted by Sentient brand ambassador chef Bobby Flay, and even opened its aircraft for non-cardholders to travel to and from Louisville for the race.

Wheels Up, which offers membership access to its fleet of King Air 350i turboprops and Citation Excel/XLS+ jets, is among the more active of the on-the-ground benefits providers. Three years after backing a Triple Crown winner American Pharoah, this year Wheels Up went all in with Justify for the Preakness, as the horse and jockey Mike Smith wore the company's colors as the sole brand logo on its final victory in the Triple Crown.

JetSmarter has acquired five Gulfstream GIV-SPs for a branded fleet, operated by JetEdge, to "provide improved travel for passengers while providing solutions for aircraft owners," the company said. The refurbished Gulfstreams feature upgraded interiors, 4G Wi-Fi capability, and enhanced catering options. JetSmarter plans to add 30 aircraft over the next year, and will consider adding other models to the branded fleet. To attract aircraft, JetSmarter covers maintenance and operational costs, and provides owners an hourly return and offers them a JetSmarter membership plan offering discounts and perks.

While the change in ownership is XOJet's headline story, Stewart, who remains chairman and CEO, said he's most proud of the success of the "big shift" to its three-tiered Access Solutions subscription model launched in July 2017. "Charter historically is a transactional business. You pay for the flight. And to tell our clients we needed to charge a nominal [recurring fee] was a bold statement, a test of our brand and service structure," he said. In the second quarter, the program was "on the doorstep of 1,000 dues-paying members," about 80 percent of them in the mid-tier Preferred Access plan, the rest split between the entry Select and top tier Elite programs.

XOJet's fleet of Citation Xs and Challenger 300s now claims 31 percent of the super-mid charter business, and this year the company again reported recordbreaking overall revenue increases, with charter brokerage contributing a growing percentage to the total, and added seven luxury purveyors to its partnership portfolio.

Yet XOJet bucked the big-growth/smaller-fleet trend with 3 percent gains in hours compared with 4.9 percent fleet growth. But

International charter

After turning a corner last year, the European charter market has continued to see improvement this year, online charter-market platform Avinode, reported. "We're in a great period for growth in Europe," said Oliver King, Avinode's managing director. Market preference for lighter aircraft remains "very stable" following a shift from midsize aircraft a few years ago (from mid-size), while large-cabin jets see little activity. Light aircraft are also the entry point for new charter customers, King noted.

Meanwhile, prices have remained stable along key trunk routes, such as Luton-Nice, indicating competition is tempering pricing pressure created by increased demand. Avinode spends considerable time analyzing data searching for trends and sees "people with disposable wealth participating more in charter."

Charter demand in the Asia Pacific (APAC) region is strong, and providers "are accommodating it in all ways possible," said Jeffrey Lowe, managing director of

Hong Kong consultancy Asian Sky Group (ASG). In the last two years, APAC's turbine charter fleet has grown 5 percent, to 311 jets, ASG reported, representing some 26 percent of the total regional business jet tally. The figure represents 84 airframe adds and 69 removals during the period. Mainland China had the largest fleet expansion with a 40 percent increase from 2016, while the Philippines followed with 30 percent fleet growth.

Avinode reported this year system requests for arrivals into Asian airports rose by 43 percent on an annual basis (from 78,269 to 111,964), with the greatest increase coming from the U.S. and Russia, rising 72.4 and 41.4 percent, respectively.

Requests through Avinode's system for departures from Asia increased 53 percent, while those to the U.S. and Russia increased 80 and 84.5 percent. Thailand retained the #1 APAC destination and requests increased 64.6 percent and China took the #2 spot from India. ■

it still far surpasses all leading operators in fleet utilization, wringing 1,087 hours per aircraft in the fleet, almost double the figure for the second-most-utilized Travel Management Company (TMC), whose owned and operated fleet averaged 581 hours per airframe. Former XOJet co-owner TPG owns TMC and has no plans to sell, TMC CEO Phil Dobyk said.

Beneath the headlines of its corporate expansion, VistaJet reported reaching "a critical mass" of 72 jets in its all-Bombardier Global/Challenger fleet, ensuring "guaranteed availability to customers around the world," said Ron Silverman, president, VistaJet U.S. As for whether the forthcoming Global 7500 will join that fleet, Silverman noted Flohr has a delivery position for a new jet, and VistaJet "will make the decision" on the addition late next year or in early 2020.

Through the first half of the year, VistaJet's revenue and flight hours both grew 27 percent, said Silverman; North America "spearheaded the expansion," accounting for one quarter of total hours flown.

VistaJet also launched its Adventures in the Sky program, for passengers one to 16 years old—and their parents—which

"turns a VistaJet cabin into a playroom or a party," said Silverman, hosted by a children's entertainer. The program was sparked by the company's research showing one in four flights in 2017 had children onboard. The program "engages their creativity, and they're also interacting with people," said Silverman.

Surf Air, originator of the one-price, all-you-can-fly subscription access model, encountered turbulence during the past year. In June the company terminated its year-old agreement with Encompass Aviation, which had assumed operation of Surf Air's Pilatus PC-12 fleet. (During the year, Encompass went from a little over 2,600 flight hours to more than 13,000, ranking it number 14 among U.S. operators.) Encompass then sued Surf Air in Federal District Court, alleging, among other claims, non-payment of more than \$3.1 million owed the operator. In a countersuit Surf Air accused Encompass of inept operations and shoddy maintenance. Surf Air currently reports a schedule of 120 round-trip flights per week, operated by Advanced Air, in its California-based scheduled route network. ■