AIN SPECIAL REPORT

FRACTIONAL & CHARTER MARKET

part 1

While the charter industry has seen some changes this year, the fractional-share business is undergoing a wrenching transition, with the shutdown of Avantair and the announced sale of Bombardier's Flexjet to Flight Options parent Directional Capital.

Avantair, whose fleet of 56 efficient, fast and roomy Piaggio Avanti twin turboprops dominated the turboprop fractional market, was forced into involuntary Chapter 7 bankruptcy in August. Avantair accounted for a significant amount of private turboprop traffic in the U.S., and it will take some time to see how the company's shutdown will affect the fractional business. (*See story on page 8.*)

Of course, Avantair is the second fractional operator to have exited the business in recent times. CitationAir, Cessna's fractional-share, charter and management division, is all but non-existent after the company's parent, Textron, decided that aircraft operations weren't in its best interests. CitationAir is finishing out its remaining contracts, but it won't be surprising to see the company disappear in the not-too-distant future as aircraft manufacturers seem to have decided they are better off focusing on manufacturing rather than aircraft operations.

For a short time it appeared that the fractional-share industry would return to one dominated by three large players, but that is not the case because on September 5, Bombardier announced the sale of Flexjet to Directional Capital for $185 million. (*See story on page 1.*) A day later, VistaJet announced a move into the U.S. charter market in an alliance with Jet Aviation Flight Services, which is to operate a fleet of 12 Bombardier Globals on its behalf. (*See story on page 1.*)

Part 1 of **AIN**'s charter/fractional special report, along with special coverage of these major developments in this issue, explores the changes in both industry segments during the past year and provides a snapshot of the current state of the charter and fractional-share segments. In **AIN**'s November issue, various issues affecting the charter and fractional-share industries will be explored, including what happens when a key fractional player suddenly shuts down, and how that affects the owners, the state of the empty-leg charter market, charter pilot training issues and more. ■

NETJETS SIGNATURE SERIES GLOBAL 6000

Global charter market experiences rebound

Coming off its long slump following the onset of the 2008 recession, air charter has enjoyed a generally good year around the globe, and there are indications that the demand will continue to pick up as the world economy finally rights itself, and charter continues to adapt to the needs of travelers around the world. Here's a look at the current state of charter markets in North America, Europe, Asia, Latin America, Africa and the Middle East.

by James Wynbrandt

Under a joint venture with the People's Republic of China, NetJets China plans to manage and charter aircraft, such as these Challengers, that are wholly owned by customers, rather than introducing fractional ownership.

North America

Following two slack years, North American air charter flights increased almost 9 percent (8.9%) from August 2012 to July 2013 over the same period a year before, according to aviation research and services firm Argus International. Charter flight activity for all cabin categories was up for the period. Small and midsize cabins saw double-digit jumps (11.3 percent and 15.3 percent, respectively); large-cabin flight activity rose 7.6 percent and turboprops were up 3.1 percent.

Overall charter activity within North America declined by 0.8 percent, according to FAA data, but that was offset by increases in charter flights to Asia (up 15 percent) and Latin America (up 6.2 percent), while charter to Europe was up 1 percent, the agency reported.

Charter's growth comes at the expense of fractional aircraft flying (down 8.5 percent, according to Argus), attributable in part to Avantair's unraveling *(see page 8)* and CitationAir unwinding its fractional program, as well as to a decline in Part 91 flying. "Overall the pie doesn't appear to be growing, but the slices are changing shape," said Argus CEO Joe Moeggenberg. Charter's growth trend appears to be continuing. According to Argus TraqPak numbers, July marked the 10th consecutive month of an increase in Part 135 flying, and the month's flight totals were 17.8 percent over the previous July's.

The price of charter has remained inconsistent. Avinode's tracking of hourly rates for light, midsize and large-cabin aircraft over the past six months has shown fluctuations from 10 percent above to 3 percent below the previous year's pricing, and domestic operators complain that aggressive pricing by competitors keeps rates depressed.

Sales of jet cards, whose flight time is flown under Part 135, also appear on the increase. Andrew Collins, president of charter broker Sentient Jet, said the company's jet card product has experienced "its strongest summer of flying in five years, and we had one of our best months ever this past July."

Bombardier's Flexjet, whose fleet of Learjet 40XRs, 45XRs and 60XRs and Challenger 300s and 604s is operated by Texas-based Jet Solutions, reported 48 percent growth in jet card sales in this year's first quarter, compared with the same period last year. (Flexjet's charter arm brokers flights rather than using the Flexjet fleet.) NetJets reported sales of its Marquis Jet Card contributed to an overall 50-percent increase in the company's first-half sales.

Market Drivers

In addition to an improving economy, charter sales are being driven by increasing product offerings, partnerships and alliances among providers, and the availability of empty legs and one-way pricing.

Flexjet's Coastal Connect program, a feature introduced on its Flexjet 25 jet card last December, provides special incentive rates for cross-country travel on the Challenger 300 for travelers flying to and from designated zones. Sentient, which claims more than 4,000 active customers, saw strong demand in the charter market recently for super-midsize and large-cabin aircraft, and created 25-hour jet cards providing fixed pricing, guaranteed availability and a hedge against any fuel price increases. Meanwhile Sentient has continued a focus on developing "preferred relationships within the operator community," to source the best available aircraft for customers, and has a guaranteed revenue program where it will pre-purchase hours on the aircraft.

California-based JetSuite, which provides charter on its fleet of Phenom 100s and Citation CJ3, has partnered with Singapore Airlines to provide service and connections for some preferred airline passengers. Now JetSuite has announced partnering with Leverage Global Partners, a network of boutique real estate brokerages, to copromote their offerings among customers.

XOJet and TWC Aviation, two major California-based charter operators, have partnered to give members of each others' card programs guaranteed access and preferred rates aboard their respective fleets.

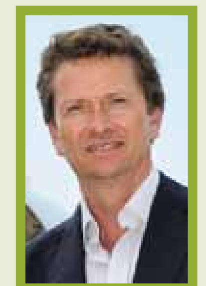
Operators are offering plenty of new options that make charter a palatable option for a broader market.

Europe

Conflicting signs of an economic rebound in Europe are mirrored in the region's air charter data. Avinode, the Swedish online charter marketplace and data provider, reports the total value of requested departures in Europe increased by approximately 30 percent during the first six months of this year compared with the same period last year. Avinode sees an even more encouraging increase (80%) in value in unique requests for flights over the past two years, driven by increasing demand for large-cabin, long-range charters. (The Avinode system filters out duplicate broker quote requests for a single flight.)

Yet Eurocontrol reports charter flight departures from Europe were down 4.1 percent over the past year, while the European Business Aviation Association (EBAA) said overall business aviation arrivals, departures, internals and overflights decreased by 4.4 percent during that period.

Whatever the discrepancies in data, several major Europe-based providers report strong growth over the past year, due as much to business model adjustments as to overall market demand. Patrick Margetson-Rushmore, chief executive of charter management company London Executive Aviation (LEA), said this July was "the best month we have had in the last five years," with charter providing the bulk of the company's 25-percent increase in revenue for the May-July period. LEA operates 29 aircraft from a Citation Mustang to Dassault Falcon 2000s, based from London to Moscow.



Patrick Margetson-Rushmore, LEA chief executive

Athens-based Gainjet increased its charter business over the past year by reshuffling its fleet, said marketing director Andrew Hallak, phasing out its super-midsize jet fleet in favor of "focusing on large-capacity private aircraft." The Gainjet executive fleet ranges from the Gulfstream G450 and G550 to the Bombardier Global Express XRS and a Boeing 757-200 and 737-400.

Thanks to a "booming" market in Russia and a "dynamic" Middle East, Switzerland-based charter broker Vertis Aviation has seen "about a 12-percent increase year-on-year so far," said partner Jeffrey Emmenis. Vertis has exclusive representation for a fleet of more than half a dozen jets from Bombardier Global XRS to Airbus Corporate Jets. One indication of its growth: an independently managed Vertis Aviation opened in London this year.

Slovenia-based Elit'Avia has also benefited from growing demand in Russia over the past year, adding three Bombardier Global 6000s and a Global XRS to its fleet in the last year. To improve service to clients in the U.S.–and attract new ones–Elit'Avia opened a sales office in Atlanta this year, said managing director Michel Coulomb.

Last December, the UK's Hangar 8 *(see article on page 70)* acquired International Jet Club, creating a fleet of some four dozen business jets, the majority of them large-cabin. In addition to giving Hangar 8 more of the scale an international provider requires, the acquisition has provided "useful insight into the

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operational methods employed by other companies," said Janus Kamradt, group sales and marketing director. He also said that to help ride out the prolonged downturn in Europe's business aviation activity, over the last 18 months Hangar 8 has diversified its charter fleet into long-term lease contracts, "which have helped us weather the storm better than some of our competitors."

If charter has increased, surely the attractive pricing has played a role, to the detriment of many operators, owners and others squeezed by downward pressure on charter rates. Gainjet's Hallak cited "price wars between operators, brought about by brokers and online marketplaces," as the main challenge facing charter in the region.

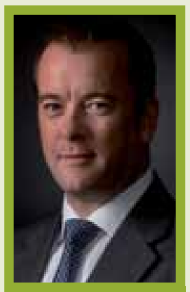
Charter also faces the larger challenges that confront business aviation as a whole in Europe, ranging from rising taxes and fees to a patchwork of inconsistent regulations and reporting requirements, as well as lack of clear operating rules governing air charter. The European Business Aviation Association (EBAA) has working groups directly related to air charter issues, such as illegal charter activity, and is "working to have dedicated regulations for air taxi operations," according to Belarmino Paradela, EBAA's senior manager for economics.

Asia

Jet charter flights to Asia from the U.S. increased 15 percent in the first half of this year compared with the same period last year, according to FAA data. Flights from Europe to Asia during the same period increased 12 percent, according to Eurocontrol.

Charter providers covet China's market the most for its potential size, but its limited general aviation infrastructure, regulatory strictures and lack of cultural awareness of air charter constrain internal growth in the near term. Providers are now concentrating on bringing international travelers to China's doorstep and taking travelers from those portals to points around the world. Neil Harvey, director of executive aviation at UK-based charter broker Hunt & Palmer, said the company's strategy is "to arrive in Hong Kong or Shanghai [with charter passengers], then fly them back to the point of departure." Hunt & Palmer typically brokers Chinese-registered aircraft based in Hong Kong, where the company has an office, including a Falcon 2000 and 2000LX, Challenger 300, 605 and 850, and a pair of Gulfstream IVs for missions to and from China. Using Chinese-registered aircraft enables providers to expedite flight permitting procedures, as well as arrange some trips within China, for example to Beijing.

Chinese charter customers traveling outside China often prefer flying on N-registered aircraft, which are seen as facilitating international travel. U.S.-based TWC Aviation established an alliance with Sino Jet Management last year to operate charters using Sino Jet's fleet of Hong Kong-based, U.S.-registered business jets. TWC formerly offered similar service through an alliance with TAG Asia.



David MacDonald, Air Partner sales director for private jets

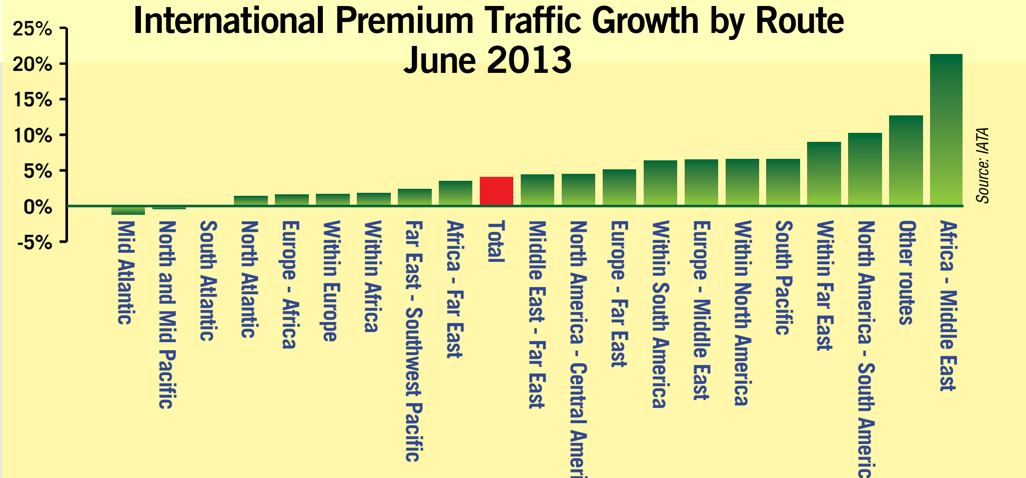
Having an established presence in the region and "a strategic partner experienced with local customs, cultures, languages and regulations," is essential to gaining a foothold in the China market, said TWC CEO Andrew Richmond.

Also last year, U.S. fractional provider NetJets established NetJets China Business Aviation Ltd., aimed at providing aircraft management and air charter operations to customers in the region. Subject to government approval, NetJets China will establish a joint venture with a consortium of Chinese investors.

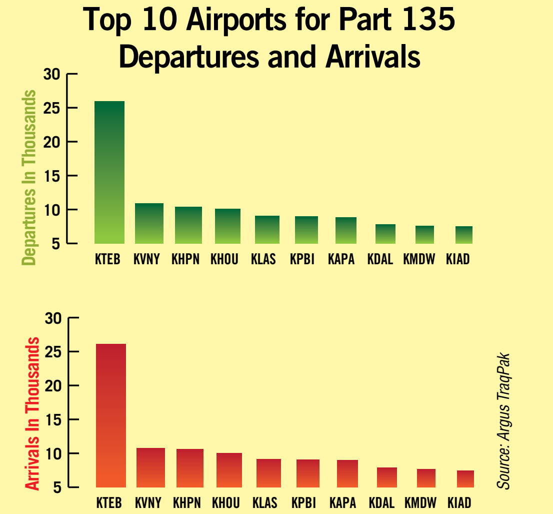
But substantial reform and cultural awareness is necessary before charter can really expand within China. Obtaining permits for a flight within China can take five days, and plans can't be amended easily, hamstringing the quick response and flexibility that are hallmarks of air charter elsewhere. Bureaucratic bottlenecks also check charter's ability to expand. The Civil Aviation Administration of China (CAAC) has 53 applications for aircraft operator certificates (AOCs) from companies that want to establish charter services within China, but only 12 AOCs are issued annually.

The concept of air charter has yet to catch on in China. David MacDonald, sales director for private jets at international charter broker Air Partner, said wealthy Chinese don't use charter "for personal travel or leisure travel, as in the U.S. or Europe." But MacDonald notes Air Partner has seen "a lot more Asian companies coming into Europe and wanting to charter aircraft," which he interprets as a hopeful sign. "That's when Far Easterners started becoming clients," MacDonald said.

Culturally, the idea of letting strangers use one's aircraft is foreign to most business jet buyers in Asia, so they are less likely to make their aircraft available for charter, potentially limiting the size of the charter fleet.



The airlines are reporting growth among premium passengers on a number of routes and this growth could spell good news for charter operators.



Latin America

Charter flights to Latin America and the Caribbean from January to July of this year were up 6.2 percent over the corresponding period last year, according to FAA data, while Eurocontrol figures for the period show traffic from Europe to Latin America and the Caribbean was up 22.2 percent. Requests for charter trips to and from the region also jumped, according to Avinode, which reports a 51-percent gain over the past year.

Brazil and Mexico have led the region's growth in recent years, and though their economies have been cooling recently, aviation analyst Brian Foley points out that economies in Argentina, Venezuela and others in the region are on the uptick, an economic diversity that "makes for a more stable and consistent market overall."

Nonetheless Brazil, with the second largest GA fleet in the world after the U.S. (according to the 2013 edition of the Brazilian Yearbook of General Aviation, published by the Associação Brasileira Aviação Geral [ABAG]) remains Latin America's key charter market, even if it is not currently a healthy one. ABAG reports air-taxi operations declined 12 percent over the past year, and illegal charter may be partly to blame. The Brazilian Air Taxi Operators Association (ABTAer) has been waging a campaign to engage the Agência Nacional de Aviação Civil (ANAC, National Civil Aviation Agency) in cracking down on the practice. Last December, the association protested the illegal use of helicopters for passenger shuttle purposes during the Formula 1 World Championship car race in São Paulo.

In Mexico, illegal charter operations are hurting the region's charter industry, said Alexis Javkin, director of Toluca-based fractional operator MexJet. By circumventing regulations, illegal operators can offer lower prices, undermining the investment legitimate providers make in improving safety and service, such as earning Wyvern Wingman status, which MexJet received this August.

Overall, though, indications for the region's business aviation industry, and by extension air charter, are positive. Industry forecast specialist HIS Global Insight predicts economic growth in Latin America will average 4.1 percent annually over the next 20 years. Honeywell's 2012-2022 market forecast sees Latin America accounting for 18 percent

Story continues on page 28
Report continues on page 24

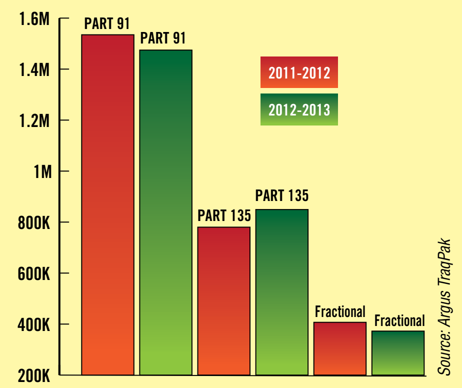
DAVID McINTOSH

Charter operators have their work cut out for them in the Chinese market as Chinese owners have traditionally been wary of chartering out their aircraft. Wealthy individuals have tended not to charter aircraft for travel, but companies are starting to use them, a hopeful sign for operators.

Continued from page 22

Total Flight Activity by Operational Category

2011-2012 vs 2012-2013



Big four list of national fractionals dwindles to big two

by Matt Thurber

All of a sudden, the ranks of national jet fractional-share operators in the U.S. are shrinking to a "big two," down from four active companies not too long ago. The remaining players are NetJets, which celebrates its 50th year in business next year, having started as Executive Jet Aviation–the first national charter/management company–in 1964, and the companies that are and will be owned by Directional Aviation Capital (Flight Options and, when the deal closes later this year, Bombardier's Flexjet).

It seems the major changes occurring to the fractional industry this year began with the shutdown of turboprop fractional provider Avantair on June 26 and its involuntary bankruptcy in August. Just a month later, Bombardier and DAC announced plans to sell Bombardier-owned Flexjet to DAC for $185 million as well as an order by newly formed Flexjet LLC, the shell company formed for the acquisition, for $1.8 billion worth of new jets.

These changes reflect a massive consolidation of aviation's fractional-share industry, and while NetJets, Flexjet and Flight Options will remain at about the same size or even grow, the total fractional fleet has lost the 56 airplanes that were purported to be in the Avantair fleet.

NetJets

Berkshire Hathaway-owned NetJets is still the biggest fractional-share and charter/management operator, with a total of about 707 jets in its worldwide fleet (includes NetJets, NetJets Europe and Executive Jet Management). Approximately 500 of those airplanes are in fractional service, with 100 serving the European market and 190 managed by Executive Jet Management.

In its second-quarter earnings report, Berkshire Hathaway reported increased share sales as well as earnings that grew "due to improved flight operations margins, fractional sales margins and reduced net financing costs."

"We've been pleased overall with our global performance," said NetJets chairman and CEO Jordan Hansell. The slowly improving U.S. economy has helped, although the market in Europe remains "a little bit tougher," he said. "We are seeing improvement year over year in some categories and jurisdictions but it's still so early that I almost hate to say one way or the other. We've seen before it can turn quickly, and I'm talking more about the economy in Europe than I am about us."

NetJets China has not yet begun operating because NetJets has applied for its own air operator certificate in China, and this process will take some time to complete (although it should be noted that it sometimes takes a year or two for U.S. operators to receive charter approval). "China is not yet relevant because we're still in startup mode," he said. "We've been making our way through the regulatory process. We've been pleased with our interactions with the Chinese regulatory authorities; they've been quite welcoming of our applications and we're looking forward to getting up and running there as soon as possible."

NETJETS SIGNATURE SERIES GLOBAL 6000

A few years ago NetJets negotiated with manufacturers for delivery of its own "Signature Series" models, exclusive to the fractional operator. The Phenom 300 and Global 5000 and 6000 (shown) have started joining the fleet. The Challenger 350, for which NetJets is the launch customer, is scheduled for delivery next year.

The NetJets business model for China will be a traditional management business. "We think there's a strong market for that, and I think we can provide superior service," he said. Meanwhile, NetJets has been working with Chinese customers, offering a jet card for U.S. and European travel, "and we've seen some early demand for that." If anything, this will help introduce Chinese customers to private jet travel and the NetJets experience. At some point, however, NetJets will consider offering fractional shares in China, he added, "if it makes sense, but we don't have that in the firm plan at the moment."

In ordering new jets, Columbus, Ohio-based NetJets took a new tack a few years ago, negotiating special "Signature Series" versions with custom features that are available only to NetJets. The first to be delivered was a Signature Series Embraer Phenom 300, and the Bombardier Global 5000 and 6000 models that have started joining the NetJets fleet are also special versions. Next year, Bombardier will begin delivering Challenger 350s in a Signature Series to NetJets. These special versions are paying off, according to Hansell. "We've seen a lot of excitement centered around the fact that the aircraft are new and different and unique and that one can't buy them anywhere else." All new NetJets airplanes will be Signature Series versions.

About six months ago, NetJets introduced a new aircraft transition program, where it will help an owner who is interested in a NetJets share sell their aircraft or even buy the aircraft outright then sell it. "We have closed several of these deals already," Hansell said.

From an internal perspective, NetJets is the first private aviation company to achieve Level IV in the FAA's safety management system pilot program. "We're unceasingly trying to improve the basic operation and distance ourselves from our competitors," he said. "I've told the folks here at NetJets we're going to do what is necessary to make sure we are the safest possible operation we can be, period. And the nice thing about working at NetJets is they all looked at me and nodded and said, 'We've been doing that for a long time,' and went back to work."

Hansell doesn't find much to worry about with the consolidation that has reduced the fractional field to two major companies (although Flight Options and Flexjet will be run as separate organizations). "There have been changes in the general aviation industry for a long, long time," he said. "We've seen people come, go, combine, exit. We focus almost exclusively on what we're doing at NetJets, on providing the highest levels of safety and service possible. And we couple that with the national stability of Berkshire Hathaway. I really feel good about what the team has been able to accomplish."

The New Flexjet

The announcement of DAC's plan to purchase Flexjet for $185 million comes at a time when business is booming for the Bombardier-owned fractional-share operator. Flexjet president Deanna White will remain with the company, as will all other current employees. DAC has formed a new company, Flexjet LLC, to purchase the business from Bombardier. The deal is expected to close by year-end.

At the same time that it announced the purchase, DAC also placed an order for 85 Bombardier jets worth $1.8 billion, including 25 Learjet 75s, 30 Learjet 85s, 20 Challenger 350s and 10 Challenger 605s, plus options for 160 more airplanes worth another $3.4 billion. Deliveries will begin in July next year.

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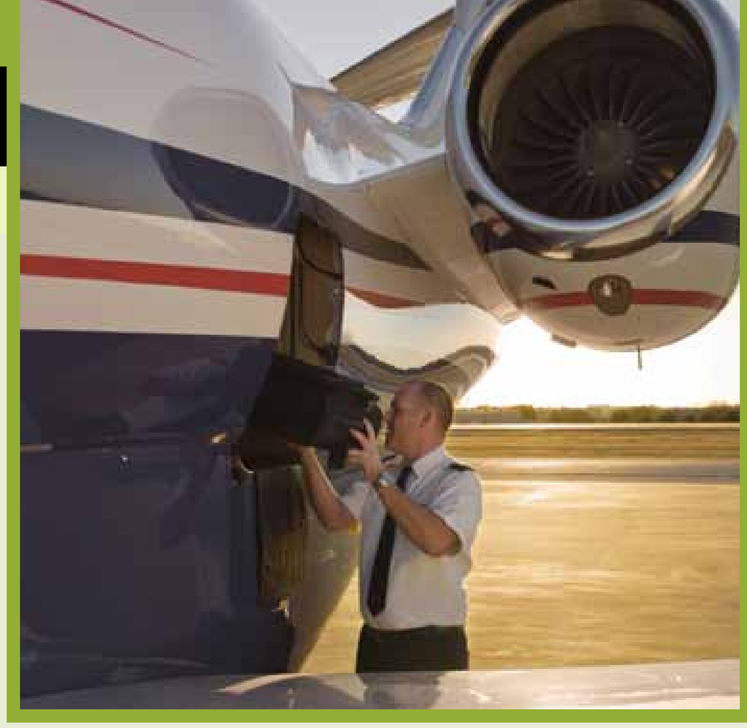


DAC's purchase of Flexjet will give it two separate fractional operations: its existing Flight Options brand and Flexjet. DAC chairman Kenn Ricci told **AIN** that Flight Options will offer a "value" fractional product using mostly pre-owned or remanufactured jets, which include the 400XT modification of the Beechjet/Hawker 400 done by sister company Nextant. Flexjet will be DAC's luxury brand, with newer jets that it will fly for about four years before they are sold or moved into the Flight Options fleet. The new Flexjet aircraft will also feature special interior colors and appointments that are customized for individual airplanes so that the aircraft in the fleet do not all look the same.

While DAC's order is for all Bombardier jets, there is nothing that prevents DAC from ordering jets from other manufacturers. Flexjet may put in an order for ultra-long-range jets by year-end. This is an interesting development because previously Flexjet saw no need for that size aircraft. With NetJets now flying Global 5000s and 6000s and awaiting delivery of even longer-range 7000s and 8000s, it appears Flexjet will step up to that competition.

Just before the announcement of the sale to DAC, Flight Options executive v-p of sales and marketing Matt Doyle told **AIN** that fractional-share customer growth is up 25 percent this year, having grown 30 percent last year. Many of these customers are new to fractional shares, he said. While the Flight Options jet membership club has seen significant growth, he said, "Fractionals remain our strongest portion of the business. We're continuing to see the momentum we saw in 2012." The Flight Options fleet stood at approximately 100 aircraft when the Flexjet purchase was announced, including the Nextant 400XT, Hawker 400 and 800, Cessna Citation X and Embraer Phenom 300 and Legacy 600. Flight Options is phasing out its Hawker 800s, according to Doyle, and the company planned to add four to six Phenom 300s and the same number of 400XTs this year.

Flexjet's fleet size just before the sale announcement was about 80 aircraft, according to White. The company has been enjoying a resurging interest in asset purchases, with fractional sales up 112 percent in the first half compared with the same period last year. Jet card sales were up 68 percent. "The industry had something of a benefit from the economic improvements," she said. "People are starting to open their wallets and spend more. We're doing well financially on the cash flow and profit side." For Flexjet this has translated into hiring more pilots and recalling all those who were furloughed last year.

Flexjet has a variety of product offerings beside fractional shares and jet cards. These include leases of shares, a jet card that works like a debit card and that allows travel on any aircraft in the fleet, a 90-day walkaway lease (allowing the customer to exit the lease with 90 days' notice and no penalty) and a 90-day satisfaction guarantee. "A lot of customers who we get from competitors like the fact they can try Flexjet and if they're not satisfied then they can get out with a full refund in 90 days," said White.

Flexjet's jet card charters are flown by Jet Solutions, a U.S. charter company founded by Dennis Keith. Bombardier plans to sell its 49-percent stake in Jet Solutions to Keith, according to White, and Jet Solutions will still operate some Flexjet aircraft after DAC completes the purchase, although that will likely be reviewed after the transition.

"We've had a really great start to 2013," she said. "We're over-performing better than we originally expected." Flexjet saw more business during the second quarter versus the first, and most new fractional share sales are new customers, she said, including a combination of competitive captures from other providers and new entrants into fractional share ownership. ❑

Regional Fractionals

While Avantair's shutdown dominated the news, the remaining U.S. turboprop fractional players are enjoying a relatively strong business climate and a healthy amount of business.

PlaneSense

PlaneSense, the Portsmouth, N.H.-based Pilatus PC-12 operator, celebrated delivery of Pilatus's 1,200th PC-12 in July. This PC-12NG is the 49th delivered to PlaneSense, although the company's fleet currently comprises 30 of the single-engine turboprops as older ones are sold after logging about 6,500 hours.

"We've seen an active half year," said founder and CEO George Antoniadis. Both share sales and flight activity have been strong, and flying from January through August is up 8 percent compared with the same period last year. PlaneSense has "repeatedly broken records for the number of flights per day," he said. "And historically, placement to outside [charter] vendors is under one percent." PlaneSense's on-time departure rate is 99.5 percent (excluding late passengers or factors beyond the company's control such as ATC or weather delays).

PlaneSense's primary area of coverage is east of the Mississippi River, and that area still holds plenty of opportunity, according to Antoniadis. "We believe there is still adequate space to grow without endangering the core elements of our product. We are constantly evaluating which areas we would like to be in next, but also concentrated on building market share in our existing area. We are vying for clients who seek private flight between points primarily east of the Mississippi."

Of course any type of private flying is a competitor for PlaneSense, but PlaneSense isn't trying to be everything to everybody. "If somebody wants 14 seats and a Jacuzzi, we don't offer that," he said. "What PlaneSense does offer is reliable and cost-effective transportation at a larger variety of airports because the PC-12 is as comfortable at a 2,500-foot strip as at a major metropolitan airport, offering travelers the opportunity to save time by landing much nearer to their ultimate destination."

Interestingly, before the news broke about Bombardier's sale of Flexjet to DAC, Antoniadis accurately predicted some of the upcoming changes, although not the specific companies involved. "I believe industry consolidation will occur," he told **AIN**. "I don't believe there's too much capacity and still believe there is healthy demand for our industry. But sometimes there's not enough differentiation….That's why you may see consolidation."

Antoniadis attributes PlaneSense's long success since its launch in 1995 to the company's steady focus, he said, "and our mission, which is to provide a high-level service product for a responsible price."

PlaneSense fields a fleet of 30 Pilatus PC-12s, which it flies mostly east of the Mississippi. The company sees plenty of demand for cost-effective flights that bring passengers nearer their destination by flying to smaller strips.

Executive AirShare president and COO Keith Plumb (left) and chairman and CEO Bob Taylor (right) take delivery of a CJ2+ from Lannion O'Bannion, regional v-p of Cessna sales for the Midwest U.S. and Canada.

Executive AirShare

"We are gearing up for a significant growth period," said Keith Plumb, president and COO of Kansas City, Mo.-based Executive AirShare (EAS). While the regional fractional operator isn't expanding its service area beyond its central U.S. core and Great Lakes area, the fleet is transitioning into a larger variety of jets and fewer King Air 90 turboprops.

EAS bought three relatively young Cessna Citation CJ2+s in August and plans to start flying them with customers in the next month or so. The CJ2+s offer a new product for buyers who want something larger than EAS's Embraer Phenom 100 but don't want to spend as much for a share in one of the operator's Phenom 300s. The Cessnas also cost less to operate than the Phenom 300s, Plumb said.

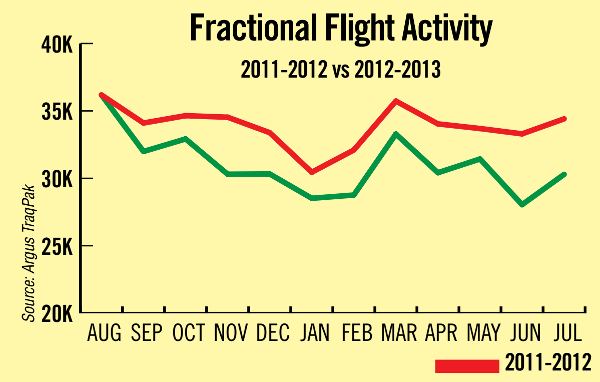
Customer feedback showed that some wanted to fly nonstop trips from the central U.S. to the East Coast, but while the Phenom 100 can do this eastbound, it usually needs a fuel stop on the return trip. "The Phenom 300 could do it," he said, "but it has higher operating costs and too many empty seats. The CJ2+ is the ideal solution."

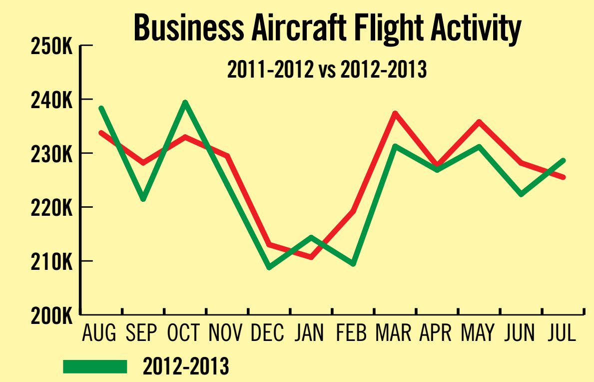
EAS has also added a CJ3 under management to the fleet, which can be used to supplement the CJ2+s. The company operates nine Phenom 100s and five Phenom 300s (that number is expected to grow to six this month). Five King Air 350s are still a core part of the EAS fleet, and another may be added, while plans call for the remaining four King Air 90s to be phased out.

Flight hours jumped 50 percent in July, compared with July last year, Plumb said, and he attributes much of that growth to former Avantair customers signing up with EAS. "We were profitable last year and we're on plan to have an incredible year with the CJ2+s." EAS currently serves 105 fractional shareowners.

Plumb is well aware that after Avantair's shutdown, potential fractional customers might be wary of investing in a share, especially with the mess that resulted from Avantair's bankruptcy and the grounding of its entire fleet. "People are cautious," he said. There's a little bit of resistance to writing a big check." But EAS has been around for 12 years and has grown steadily. "We show how our business model is so much different. We're not putting 1,000 or 1,200 hours per year on the airplanes; we're flying a maximum of 650 hours per year and we have better residual value. Our pricing model and management fees are about 50 percent of those of the larger carriers, so they have more costs to absorb."

While EAS's service areas in the central U.S. and Great Lakes region seem limited, "We're just scratching the surface," Plumb said. "We spent lot of effort in Buffalo [the Great Lakes base] and are expanding our presence there to exploit new markets." As the Citations join the fleet and customers come to appreciate their utility, "we can see expanding that fleet next year." ❑





Continued from page 22

of business jet deliveries by the end of the period, five points higher than the forecast from a year ago.

Middle East

Demand for charter flights originating in the Middle East rose 4 percent over the past year, according to Avinode. No official statistics are compiled on air charter for the region. The UAE ranks number 12 on the Europe-Middle East list of the countries with the most requested unique business jet departures. However, requests were down 10 percent in Saudi Arabia over the past year (17 on the list), the only Top 20 market besides Poland (20) to show a decline in requests for charter quotes for the period.

Ali Al Naqbi, founding chairman of MEBAA

Middle East Business Aviation Association (MEBAA) founding chairman Ali Al Naqbi estimates the rate of charter growth in the region to be approximately 12 percent; 20 percent of MEBAA's members (42 out of 208) are involved in air charter in some form.

Al Naqbi sees gaining access to busy commercial airports as one of the biggest challenges facing air charter in the region. He has also been vocal about the problems of illegal charter in the region.

Also hampering charter's growth is a lack of understanding of business aviation. The Middle East has no regulations analogous to Part 135 or Part 91 as distinct from Part 121 or Part 125, though association members have expressed a need for such separate regulations, Al Naqbi said. MEBAA has commended advocating for a regulatory overhaul with regional authorities.

But the region's triumvirate of major commercial carriers–Emirates, Etihad and Qatar Airways–consume the bulk of the regulatory resources of regional regulatory authorities such as the UAE's General Civil Aviation Authority (GCAA); the GCAA has no unit dedicated to business aviation, and the patchwork of at least 22 aviation authorities in the Middle East and North Africa allows many regulatory and enforcement issues to fall through cracks. Further complicating oversight of business aviation operations in the region is the large number of foreign-registered aircraft. Saudi Arabia, for example, has almost 800 based aircraft.

On a more positive note, Qatar Airways and Emirates Airline have entered the air charter market with high-end offerings of their own, which should help spread an awareness of air charter in the region.

Africa

Signs of the vibrancy and potential of the African charter market are all over the continent, though hard numbers on charter activity aren't compiled in the region. Among the most promising indications is the establishment last year of the African Business Aviation Association (AfBAA), which aims to promote business aviation on a continent where it's badly needed yet woefully unprepared and unaware of how to put it to use. The African Union has granted AfBAA official observer status, making it the first association to be given such a seat, putting "the tools at its fingertips to be able to influence the regulatory environment in 56 states," said AfBAA's founding chairman, Tarek Ragheb.

Meanwhile, Europe-based providers are positioning themselves to take advantage of charter opportunities. In August, charter broker Vertis added a Johannesburg-based Bombardier Global 6000 to its fleet, the first aircraft it represents based in Africa.

Slovenia-based Elit'Avia has established an office in Ghana's capital, Accra, to expand its presence in West Africa, and expects to take delivery of a Gulfstream G550, a Dassault Falcon 7X and a Bombardier Challenger 605 that will be based in Accra before year-end. Not all these aircraft will be available for charter, as aircraft owners in Africa, as in other developing markets, are more reticent to allow use of their aircraft by others than are owners in the U.S. or Europe, according to Elit'Avia's Coulomb.

Meanwhile AfBAA will hold the first business aviation expo of its own next April in conjunction with the Marrakech Air Show "to bring together African aviation companies from a wide variety of sectors," Ragheb said. If a rising tide raises all boats, charter will likely be one of the biggest beneficiaries of an improved business aviation environment in Africa. ❏

BANKRUPTCY STRANDS AVANTAIR SHARE OWNERS

The August bankruptcy of Clearwater, Fla.-based Avantair *(see article on page 8)* has left the program's more than 600 fractional shareowners without their Piaggio Avanti twin turboprops. Many of the aircraft are unflyable and the FAA has suspended the airworthiness certificates of all 56 Avantis formerly in Avantair's fleet. Piaggio America, U.S. representative for the Italian manufacturer, is assembling a team to offer factory-authorized refurbishment plans to shareowners. Owners also face mechanics' liens filed in state courts for unpaid maintenance bills. As of press time, six former Avantair execs were scheduled to begin providing sworn testimony regarding business and personal finances to the bankruptcy trustee. *–J.W.*