

AIRLINES

Chartering a Course

Agents can benefit from the increased interest evidences in private jet service for business travelers

By Darren Shannon
dishannon@erols.com

According to the airlines, trade associations and numerous analysts we led to believe that business travel replaced by videoconferences or other techniques. Nothing could be further from the truth. Workers are still traveling for business, and they are flying as a preferred mode of transport. Many, however, are turning to private charters, which are viewed as attractive alternatives to commercial airlines.

Safety and Security

The events of Sept. 11 brought the charter jet industry into the limelight. Safety and security were brought the fore, and some agents have already seen the need to change their perception of charter jets. "Straight after the terrorist attacks, a few clients asked about private jets," says Michael MacNair, President of Alexandria, Va. based MacNair Travel Management. "Then one became two, then four and five."

Charter jets circumvent the security procedures that have added hours to even short-haul flights, but other benefits of these smaller jets have become apparent. "The security and safety of charter jets

should not be underestimated, but there are also financial, business and personal benefits to using charters," says Adam Webster, President of charter brokerage firm AirWebster. "As a means of getting around the country, commercial airlines cannot compare to the charter service. Whereas the major airlines fly to 500 or so airports, charter jets can land at more than 5,000, getting the client closer to the people they need to meet."

If used properly, private jets can be cheaper than using commercial business-class services. Says Martha Dowd, vice president of sales for Washington-based broker Skyjet: "Traveling to three or four destinations on a commercial airline could take days, adding costs such as hotels to the bill. With a charter jet, you can do four meetings in one day, opening up more time to do more business."

Many charter brokers report growth in revenues of 35 to 40 percent in 2001, and they are showing an increase in business this year. However, some markets are showing better returns than others. "Long-haul travel in large private jets will always have a mar-

ket, but there is a limited number of millionaires out there," says Webster. "Where the industry is seeing most growth is in the short-haul market, like the eight-seater Lear jet service between Allentown, Pa., and Boston."

Brokers in essence are a distribution channel. They find the passengers for the charter operators, leaving the owners to focus on flying and maintaining the aircraft. But unlike the commercial airline businessmen, this distribution channel has to understand complex itinerary schedules and coordinate fleet movements. "We are a one-stop shop," says FlightTime Vice President and General Manager Jeff Chaffield. "We can work out a year's travel for clients and help coordinate a travel schedule that best suits their needs."

But unlike the commercial airline industry, these brokers also see the benefit of having travel agents as a partner in locating potential clients. "The clients we have are flying more, but getting new clients is not so easy," says Chaffield. "We should not confuse the level of interest with the level of activity."



"Straight after the terrorist attacks, a few clients asked about private jets. Then one became two, then four and five."

However, he adds, there are at least 5 million people in the U.S. alone who will use and benefit from the charter business (some studies say that this market could even be as big as 10 million), and only about 2 million have been converted.

This untapped market is where agents come in, and charter brokers are offering huge incentives to get retailers to find them. Incremental commissions starting at 2 percent and rising to 10 percent are common, which gives agents a huge revenue source just as the commission structure with commercial airlines is coming to an end. Offers such as FlightTime's upfront commission payment (where the company pays the entire contract commission up front, even if the contract payment is staggered over a year) and Skyjet's preferred relationships (such as the recent deal with Rosenbluth) are becoming more competitive just as pricing structures are also being revised to cut down on the expense of a client's charter usage.

Boom Market

Many charter brokers are now employing West staff specifically for the travel agent community. "The boom

market is the small, fast-growing companies that local travel agents have better access to than brokers can ever have," says Chaffield. Although the brokers handle the account, travel agents can use the charter industry as part of a total package, Chaffield points out.

Agents should also beware that charter jets do not fulfill every business need. Expensive for some, they are also inefficient for those that travel more than 50 hours a year, when fractional ownership (effectively a timeshare purchase of a corporate jet) is accepted as a better option.

Charter jets remain just another option for agents to offer a client. As commercial airlines suffer at the hands of the low-costs, so charter jets can take their coveted business-class passengers away too. Agents can help ease a client's concerns with airport security, company image and being away from their family. That agents can make a healthy profit at the same time only makes the option that little bit better.

JUNE 3, 2002

"As a means of getting around the country, commercial airlines cannot compare to the charter service. Whereas the major airlines fly to 500 or so airports, charter jets can land at more than 5,000, getting the client closer to the people they need to meet."

Adam Webster