

# Air taxis line up for takeoff

**Ultracheap jets will soon make on-demand flights affordable for business travelers.**

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SAN FRANCISCO (Business 2.0 Magazine) - Care to hail a jet?

Two years ago, *Business 2.0* predicted the advent of air taxis - small jet planes which will transport business travelers from airport to airport on demand. Now the business is cleared for takeoff.

On Monday, DayJet, a Delray Beach, Florida-based startup which has raised \$130 million, announced it would launch its air-taxi service in Florida soon, and expand to the rest of the southeast United States by the end of the year. And Linear Air, which is already operating some rudimentary on-demand flights with propeller planes in the Northeast, is purchasing jets to expand its service.

Air taxis, also known as very light jets or VLJs, are four-to-six passenger aircraft which are relatively cheap to purchase at \$1.5 million a plane. DayJet and Linear Air will operate them from city to city, without schedules or hubs and spokes, charging passengers \$2 a mile to any airfield within the planes' 1,000-mile range.

## **New markets for air travel**

Call it a beta test of the air taxi concept. "We're at the point where rubber is meeting the runway," says Gerald Bernstein, an aviation analyst at San Francisco-based Velocity Group. "DayJet has focus-grouped this thing to death."

In the course of its meticulous research, DayJet discovered a number of things. First of all, there is a market. Airlines make most of their money on the top 15 percent of their customers: frequent business travelers who buy first-class, business-class, or full-fare coach tickets. DayJet's surveys suggest that 64 percent of business travelers could be ready to make the switch to air taxis.

These customers are, quite naturally, tired of all the friction involved in air travel today - the long security lines, the early check-in times, the often mind-numbing wait for all passengers to board and the plane to actually lift off the ground. They would much rather go, DayJet's research found, to a smaller airport, or a special business aviation terminal at their regular airports, take off fifteen minutes after they arrive, and set the schedule themselves.

Indeed, the concept of setting your own schedule is so important to these customers that DayJet CEO Ed Iacobucci describes his forthcoming air taxi service as "TiVo for travel." It's a good analogy: If TV viewers don't have to put up with the networks' primetime

schedule, why should you have to make that 7 a.m. flight out of LaGuardia when it's not convenient?

The other discovery DayJet made is that the Southeast is particularly ripe for a new kind of air travel, and that there's a new market for it beyond the lucrative top 15 percent of air travelers. Nearly 40 million of the 52 million business trips the regions inhabitants make are driven rather than flown.

In other words, Iacobucci doesn't want to steal customers from United and [Delta \(Research\)](#) so much as [General Motors \(Research\)](#) and [ExxonMobil \(Research\)](#).

But will people switch? To hear aviation enthusiasts tell it, it's a foregone conclusion - so much so that our skies will soon be darkened with hordes of air taxis. A NASA study suggested the new class of jet could push air traffic up by 25 percent, but there's really no way of knowing how customers will respond.

### **A rough ride**

"DayJet has the formula right," says Velocity Group's Bernstein, "but execution is what is going to make or break the market. It's all about word of mouth. If customers come back saying this was a nuisance, it won't work. They'll burn through \$130 million pretty quickly."

As convenient as it would be to hop on an air taxi with a minimum of pre-boarding fuss - Bernstein estimates taking an air taxi will shave 45 minutes off the average flight - there are other issues to consider. To make the ticket price comparable to what the airlines are offering, you'll have to get four people going to the same place - or worse, stop and pick up other passengers along the way. (Like a regular taxi, air taxis charge for distance traveled, not per passenger.)

And since VLJs are smaller, they're likely to be prone to turbulence more than a Boeing jet, which can distress travelers even if it doesn't actually endanger them. Indeed, VLJs have a great safety record, and DayJet has two pilots in every plane for extra safety, but we're talking about customer perception. Most air crashes we see on the news are of small jets, and it's hard to go through turbulence in a small plane and not have at least a fleeting thought of luminaries like Buddy Holly, Ron Brown and Senator Paul Wellstone who met grisly ends this way.

A more trivial, but not inconsiderable inconvenience, especially for middle-aged customers: VLJs have no bathroom. Average travel time is likely to be an hour at least.

So there are simply too many variables to say for sure whether air taxis will do well, even in a ripe region like the Southeast. It's too early to tell whether DayJet's investors have wasted their \$130 million.

But as in any gold rush, look to the guys who sell the picks and shovels. In this case, that's Eclipse, makers of the \$1.5 million VLJ that DayJet and Linear Air are using for their fleets. Eclipse already has orders for 2,400 jets.

That's one company we can predict will soar.

