

# Taking the Taxi to Higher Heights

CHICAGO, July 25 — Jam-packed planes. Endless delays. Long security lines. Sprints through an airport to make a connecting flight.

It is enough to make someone, particularly a business traveler, yearn for another option.

Enter the air taxi, an idea whose time has come. At least that is the hope of the entrepreneurs placing big bets on a new niche they plan to create in aviation. Their idea is to offer faster, more convenient air travel at a price that falls somewhere between private jets and commercial airlines.

For years, questions about the size of an air taxi market have been largely theoretical. But that will change this year, as Eclipse Aviation of Albuquerque begins building the Eclipse 500, a six-seat plane. The company expects the plane will receive its long-awaited certification from the Federal Aviation Administration as soon as this week.

With the Eclipse, two start-up airlines, Linear Air and DayJet, say they can ferry business travelers to hard-to-reach outposts with fewer frustrations — and get them home in time for dinner with their families.

“One of the first things they teach you in sales is to look for the pain,” said William E. Herp, chief executive of Linear Air, an air charter company that has ordered 30 Eclipse planes at a total cost of \$50 million. “And there is a lot of pain out there among business travelers who are flying on commercial jets.”

How much pain remains to be seen. Some industry analysts question whether air taxi services will be cheap enough for average consumers, or comfortable enough for business travelers, to gain a wide following.

Air taxi operators say they can offer customers seats ranging from \$1 to \$3 a mile, compared with \$9 to \$13 a mile on charter jets, or up to \$15 a mile on slightly larger private jets. Regional commercial airlines like [SkyWest](#), by contrast, average less than 16 cents a mile flying 50-seat planes, but as much as five times that on less-traveled routes where air taxis plan to compete, industry executives say.

The 33-foot Eclipse plane, which will cost \$1.5 million, can carry two pilots and four passengers and fly at speeds of over 400 miles an hour. By comparison, a twin-engine Cessna CJ-1, a jet that also carries four passengers, costs about \$4.3 million and can fly 448 miles an hour. Categorized as a very light jet at less than 10,000 pounds, the Eclipse offers comfort more akin to flying in a leather-appointed sport utility vehicle than a bigger corporate jet with a wet bar. There is also no bathroom — a fact that has caused some aviation industry veterans to pass up the plane for an air taxi service.

“The absence of a lavatory is going to be a problem,” said Robert L. Crandall, the retired chairman of American Airlines who is now chief executive of Pogo Jet, a start-up airline looking to get into the air taxi business in the Northeast.

Mr. Crandall said the jury was still out on the Eclipse plane and he has yet to order any. Nevertheless, Eclipse, which has received more than \$500 million in investment, including an undisclosed sum from [Microsoft](#)’s founder, [Bill Gates](#), has received contracts to build 2,500 aircraft for a total of \$3.5 billion in sales, an order book big enough to keep the company busy through late 2008, said Vern Raburn, Eclipse’s chief executive. Mr. Raburn, an early employee at Microsoft, is a friend of Mr. Gates.

Among the first to put the Eclipse into service will be Linear Air, founded in 2004 by Mr. Herp, an entrepreneur. His airline started as a charter service, flying wealthy travelers to Martha’s Vineyard from Boston and New York in Cessna turboprop planes. The company now also markets its services to small teams from consulting firms and other businesses who need to travel together to see clients or visit remote offices or factories. Because of the Eclipse’s faster speed, Mr. Herp said it made sense for him to expand his airline to Washington, Los Angeles and San Francisco.

“Eclipse is the game in town right now,” said Mr. Herp, speaking from the Albuquerque airport last week after visiting Eclipse’s production plant, where the company is assembling the first 10 Eclipse 500’s. Mr. Herp was enthusiastic about how Eclipse’s production was automated, unlike the more time-consuming construction methods used to make other private jets, and about how Eclipse, for the moment, had three production shifts running around the clock, seven days a week.

Other makers are rolling out planes that could also compete for a slice of the air taxi market. Adam Aircraft, based in Englewood, Colo., is awaiting federal certification for its A700, a six-passenger light jet (or five with a bathroom) that costs \$2.25 million.

[Embraer](#) Air's four-passenger Phenom, which costs \$2.85 million, is expected in 2008. And on Tuesday [Honda](#), after years of study, announced that it would build a six-seat jet with a top speed rivaling that of the Eclipse.

But not everyone believes that the Eclipse and other very light jets awaiting government approval will be able to establish a new aviation niche. And some analysts are skeptical about whether there is enough demand to justify hundreds, if not thousands, of new flying limousines.

"This is one of the most promising aviation markets in years," said Richard Aboulafia, an analyst at the Teal Group. "But are the economics of these new planes revolutionary compared to what is out there? Absolutely not."

Mr. Aboulafia said he believed that projections by Eclipse that more than 500 new planes could be absorbed a year, primarily by an air taxi industry, are overly optimistic, in large part because not that many travelers will want to pay a premium for the service.

"The air travel consumer is a very fickle beast," he said. "He is eager to complain but yet he is more cost-sensitive than ever."

Others in the travel business see air taxis as a potentially attractive option. "Now is a good time for these guys to be bringing this to market," said Kevin Mitchell, chairman of the Business Travel Coalition, an advocacy group for buyers of business travel services.

Corporate travel managers are struggling to find a better mix among corporate jets, corporate charters and commercial airlines, said Caleb Tiller, a spokesman for the National Business Travelers Association, which represents 1,700 corporate travel managers. Since 2002, the number of travel managers booking with charters or corporate jets has climbed from 27 percent to more than a third, Mr. Tiller said.

For now, Linear Air and DayJet pursue starkly different models.

Mr. Herp is trying to steal disgruntled travelers from the major airlines in major metropolitan areas. "We prefer to fish where the fish are," he said. "There are more people for the car-service-with-wings model in New York than any other place in the country. And that's why we are going after Washington next."

To win new customers, Mr. Herp's team has identified about 5,000 people it believes are good candidates for the service and reached out to them through direct mail and e-mail. He said these were people who were willing to pay a premium for the service. He cited the example of a Boston-based consulting firm whose managers occasionally visit a client in Elmira, N.Y. On a commercial airline, the limited schedules would force them to fly at 5 a.m. from Logan Airport in Boston through Newark to get to Elmira, where they would hold their meetings and then return home around 11 p.m. On short notice, the tickets cost more than \$600 apiece, or about \$2,400 for a team of four.

With Linear Air, they drive directly to the plane at Hanscom Field, in a suburb of Boston, for a 7 a.m. direct flight, hold their meetings in Elmira and fly out at 3 p.m., returning to Boston at 4:30 p.m. A car service waits for them at the Elmira airport and valets meet the consultants with their personal cars as they step off the plane in Boston. Total cost for the air taxi: \$3,000. (With the Eclipse jet, he noted, the flight time to Elmira would be cut from 90 minutes to 45 minutes.)

At DayJet, the chief executive, Ed Iacobucci, is pursuing a sharply different strategy in the seven Southeastern states where he plans to start the business with Eclipse planes late this year. DayJet plans to go where the major airlines are not — to airports like Gainesville, Fla., and Huntsville, Ala.

“We are going to all the places where no one in their right mind would want to put a scheduled service,” Mr. Iacobucci said. “But never in the main flow of things, where all that congestion is.”

Mr. Iacobucci said DayJet was not going after commercial airline customers, but rather business travelers who have chosen to drive. “The people that would be traveling with us are not the C.E.O.’s,” he said. “They are the people that would have to drive 8 to 10 hours, spend a night at a Holiday Inn and then drive back. This could double or triple the productivity of mission-critical employees. And they can come home at night.”

Rather than rent out the entire “taxi,” DayJet will offer individual seats on demand. That means prices will vary from \$1 to \$3 a mile, depending on the passenger's schedule flexibility and DayJet's ability to match up other customers to fill all the seats in the Eclipse. DayJet will not publish fares but encourage customers to book at least two to three days ahead to get the best price.

The service, the company says, compares favorably with the major airlines on some routes. For a 420-mile flight from Augusta, Ga., to Mobile, Ala., for example, passengers on DayJet would pay \$420 to \$1,260 each way, or a maximum of \$2,520 round trip, for a flight that could leave by 8 a.m. and return in the early afternoon. On USAir, which offers the cheapest seven-day advance fare on Orbitz, a passenger would have to leave at 6 a.m. and fly through Charlotte, N.C. The passenger would have a choice of getting back to Augusta at 6:08 p.m. or 12:04 a.m. Total cost: \$777, or 93 cents a mile. (Driving would take about 7.5 hours and cost about \$210, plus overnight expenses.)

Making Mr. Iacobucci's flying limo work will require substantial computing power to analyze routes and passengers' schedules almost instantly. That does not deter Mr. Iacobucci, who spent his career in the software industry, first at [I.B.M.](#) and later at Microsoft. He spent \$20 million and four years developing DayJet's reservation system. DayJet has already ordered 239 Eclipse 500's, making it Eclipse Aviation's biggest customer.

DayJet is working with five cities, including Gainesville, to establish "Day Ports" with a DayJet desk, rental car counters, wireless Internet and snack bars. "These communities are starved for direct connections," Mr. Iacobucci said.