



Linear Air: Breaking into the VLJ Air Taxi Business

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By Henry M. Holden

Since 2004, when William Herp formed Linear Air, a private air charter company, he's been working toward a goal.

"We started Linear Air with our eye on the very light jet opportunity," he said. "We'd been tracking the development of the various aircraft programs since the late 1990s. We saw the potential of VLJs and believed their economics would open up personal air travel to a much wider audience, in terms of affordability."

That wasn't the first time Herp had seen an opportunity and taken it. After graduating from Harvard Business School in 1989, he started a cell phone company. He sold it to Shared Technologies Fairchild 18 months later. When he saw the market for wine opening up in the early 1990s, he became a wine wholesaler. Herp then became vice president and CFO of Geerlings & Wade Inc., a direct-to-consumer winery business. He supervised the company's 1994 public offering, which raised \$10 million.

In the mid-1990s, Herp launched e-Dialog, a venture-backed business that used the Internet and email as a direct-marketing tool. He managed to hang on during the dot-com crash, rebuilding e-Dialog while concurrently looking at the emerging VLJ technology.

Herp believed an opportunity existed for him to begin establishing a brand name among customers, investors, manufacturers and regulators. He decided to fly a proxy to develop the economics of the Eclipse 500.

"We found that Cessna's Grand Caravan costs about the same to buy and finance, and costs about the same to operate



Courtesy Linear Air

William Herp, founder and CEO of Massachusetts-based Linear Air, an air charter operator, has started several companies using technology to open new market segments. Herp is using the Eclipse 500 VLJ model as a gateway to open the air taxi jet segment.

over a given distance as does the Eclipse 500," he

Courtesy Linear Air

Linear Air expects to have 10 Eclipse 500s on the line by the end of 2008, as the first company in the Northeast to employ VLJs as an air taxi alternative. Linear will use the VLJs in its three existing markets, Boston, New York and Washington, D.C.

said. "The Caravan costs about \$950 per flight hour and goes about 185 mph (297 kts). The Eclipse costs about \$1,600 per flight hour and flies at 425 mph (684 kts). While it doesn't exactly equal out, it's a close and comfortable match, especially when you get there faster. Depending on the routing, altitude and other factors, it may cost a little less to fly on the Eclipse."

Based at Laurence G. Hanscom Filed (BED) in Bedford, Mass., Linear initially utilized one Caravan in the Boston area. In 2005, Herp, who serves as Linear's president and CEO, added two more of the single-engine turboprops and began offering service to New York and Washington, D.C.

With a fleet of six eight-passenger executive-configured Caravans, Herp's company has successfully built its reputation providing on-demand air charter to customers who fly to the Caribbean, Puerto Rico, the Mid-Atlantic and Canada.

Herp said that by flying the Caravan, Linear has been building a business among the ideal customer base for the Eclipse 500.

"We realized they fly the same types of trips, but with the Eclipse, they'll reach their destination twice as fast," he said.

He also compared space, saying the difference in room for an individual person isn't significant.

"The Eclipse has a smaller cabin, but someone's personal space is fairly big," he said. "Once you're in your seat, you have plenty of leg, head and shoulder room. People have compared the VLJ to the SUV of the sky. I think the Eclipse is more like a town car."



Courtesy Linear Air

The Eclipse 500's small, three-passenger cabin offers personal space and allows plenty of leg, head and shoulder room.

Within the last five months, Herp has added two Eclipse 500 VLJs to Linear's charter fleet. The company's first Eclipse entered service on Nov. 13, 2007, and the second jet arrived in mid-December.

"Currently, we're in the acceptance process of obtaining our third Eclipse," he said.

Herp's plan is to have 10 jets in service by the end of the year for his point-to-point, on-demand charter business model.

"By the end of 2008, we'll be putting the 10 airplanes into our three existing Northeast bases," he said. "Our five-year plan calls for 300 aircraft by 2012."

The Eclipse 500 is certified to fly up to 41,000 feet. Like any operator that flies the Eclipse VLJ in reduced vertical separation minimum airspace, between 29,000 and 41,000 feet, Linear must provide both an operation and maintenance RVSM manual to the Federal Aviation Administration. The FAA also requires that each Eclipse type-rated pilot undergo applicable training. As Linear obtains more aircraft, it will apply for RVSM certification. Until then, Linear's pilots are able to fly up to 28,000 feet.



Courtesy Linear Air

For its VLJ air taxi service, Linear Air plans to rent the whole aircraft instead of selling per-seat prices.

Meanwhile, Herp is hopeful that Eclipse Aviation will obtain certification from the FAA for flight into known icing within a couple of months.

"The good news is that it's warming up as spring approaches," he said.

On-demand air taxi

Under FAA regulations, Linear uses the Caravan for limited scheduled service. Herp said that amounts to about six percent of the company's business.

When it comes to Linear's VLJ air taxi service, Herp decided against DayJet's per-seat model, which operates 28 Eclipse jets.

"Most of our business is whole-plane charter," he said. "We believe that our business model will produce a sufficient level of growth and will turn us into a successful air taxi operator."

He said Linear's typical customer is a team of business people—possibly two or three—traveling from a major metropolitan area to a secondary or tertiary market.

"It may be a market that's hard to get to on the regular scheduled airline," he said. "For example, you might have to connect at least once to get there. Because there's limited service or a limited demand to that market, a ticket may cost \$800 or more per person. We think that's the prototypical customer for Linear—people who are willing to pay full coach fares to have the speed and convenience we'll provide."

Linear estimates that up to 25 percent of the overall airline market is comprised of customers flying to secondary or tertiary markets.

"Take three people traveling together on a commercial airline," he said. "The trip will cost typically about \$4,000 once you layer in hotel charges, since you can't get there and back the same day. Many of these types of trips, happening every day, could transition to an Eclipse air taxi. Business travelers are fed up with the atrocious service standards of the airlines and are eager for alternatives. We'll give them an amazingly higher level of service than they'd get on the airlines for something close to the same economics.

"Many of these customers book at the last minute and get the worst and most expensive seats on the airplane.

They're going to get the middle seats and be crammed between the people who paid up to two-thirds less because they made their reservations weeks earlier. That's why I don't think the size of the VLJ seat will be an issue. Compared to a coach seat in an airliner, it'll be a better experience."

Herp believes the first big opportunity to grow the business is in his existing customer base.

"We've developed about a 10,000-name customer base from the customers we've serviced with our Caravans, or who've expressed an interest in our service," he said. "After someone books a flight on our website, a salesperson will call and address any issues or concerns the customer might have. We'll probably educate customers who've never flown privately before."

One thing he'd like to address is the airline industry's claim that VLJs are adding to the already crisis-like air traffic congestion.

"I think that's a red herring," he said. "The airlines are using that to push their agenda—trying to impose user fees upon the general aviation community. The overall air taxi market isn't anticipating a 20 percent market share right now. We're anticipating a half-percent market share of the overall airline market."

He said the value in the air taxi model is in avoiding the



Courtesy Linear Air

Linear Air hopes to have 300 Eclipse 500s spread across 15 markets within five years, accommodating the needs of small business teams.



Courtesy Linear Air

Linear Air has built its reputation flying customers on eight-passenger business-configured Cessna Grand Caravans since 2004.

congested airports that the airlines dominate.

"Don't go to Newark Liberty International Airport (EWR), John F. Kennedy (JFK) or Boston's Logan International Airport (BOS)," he advised. "Go to Morristown Municipal (MMU), White Plains (HPN) or BED."

He also had a bright forecast for the future of GA.

"I think that five years from now, we'll have a sufficient distribution of customers who perceive flying privately to be as easy as buying an airline ticket or renting a car," he said.

For more information, visit [<http://www.linearair.com>].

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