

The Washington Post

Takeoff Turbulence for Air Taxis Fuel Prices, Distressed Economy Create Head Winds for Start-Ups

By Kendra Marr
May 26, 2008

Whistling won't work. Neither does flashing a little leg.

But for a couple thousand dollars, wealthy Washingtonians can now hail an air taxi.

Linear Air, a Concord, Mass., company that flies tiny jets on quick, on-demand trips, landed its service at Manassas Regional Airport last month. The aim is to fly its three-passenger jets to small, less-congested airports that are closer to travelers' destinations and often ignored by major airlines.

The entrepreneurs behind Linear Air, as well as a dozen similar U.S. air taxi ventures, are looking to take advantage of the mounting hassles of commercial air travel -- lengthy security lines, packed planes, delays, unpredictable layovers -- to popularize a new form of private travel.

Well, very short private travel. Service is restricted to a 500-mile radius -- one to two flight hours from its three hubs in New York, Boston and Washington -- because the Linear Air's Eclipse 500 is small, just 12 feet by 5 feet inside.

"It's like riding in the back of a luxury auto," said William E. Herp, co-founder of Linear Air. "There's no bathroom. You can't walk around."



Hailing an Air Taxi

For those who can afford the ticket, Linear Air provides service to smaller airports that are closer to their destination and less congested than large commercial airports.

Linear Air said it has been flying business travelers out of Manassas a couple of times a week for the past month but declined to give specific numbers. As summer approaches, the start-up says it is getting more inquiries about trips to Nantucket and Martha's Vineyard.

But market turbulence is making it difficult for aviation start-ups like Linear to line up financing.

Linear Air, which was started with a \$9 million investment, says it is on track to reach its goal of operating five Eclipse 500 aircraft -- the smallest, cheapest and best-selling very light jet, or VLJ, employed as an air taxi -- by the end of the year. The company has 50 employees, 20 of whom are pilots.

Yet the biggest air taxi operator, DayJet, which operates 28 Eclipse 500s in five states, recently laid off 100 of its 260 workers and scaled back expansion plans. DayJet, based in Boca Raton, Fla., said it hasn't been able to secure the \$40 million it needs for expansion.

In March, Pogo Jet -- the brainchild of Robert L. Crandall, former chief executive of American Airlines -- postponed its initial public offering because of market conditions. It plans to begin flying its fleet of Eclipse 500s next year.

Others are using slower, less expensive propeller planes instead of upgrading to a newer VLJ. An Eclipse 500 costs \$1.6 million -- not quite a commercial-size, \$48 million Gulfstream 550, but still expensive for start-ups building fleets. While Linear Air is in the process of purchasing more Eclipse 500s, which fly about twice as fast as turboprops, eight-passenger Cessna Grand Caravan propeller planes make up a majority of its fleet.

"Timing is everything," said Keith McCrea, executive director of the Virginia Small Aircraft Transportation System Lab in Richmond, which conducts research and analysis of small planes. "You would see more companies out there now if it were not for the current economic downturn."

Rising fuel prices have hurt everyone in aviation, but VLJs' size means they use far less fuel than larger aircraft. An Eclipse 500 burns through about 56 gallons an hour, while a Gulfstream 550 uses about 400 gallons an hour.

And renting one is definitely cheaper than buying your own jet, though the price isn't right for the average flier, yet.

Say you're planning a three-day weekend to Charlotte. Chartering Linear Air's jet for a nonstop round-trip flight from Manassas costs \$5,561.50. Bring two business partners to fill the plane, and it costs \$1,853.83 a person.

The cheapest first-class seat on United Airlines, departing from Dulles International Airport, costs \$1,777.50 for a nonstop round-trip. A first-class round-trip with Delta Airlines, leaving from Reagan National Airport with a stop in Atlanta on both legs, costs \$1,449.98. A coach round-trip flight on US Airways, nonstop from Baltimore-Washington International Marshall Airport, comes in at \$256.50.

Manufacturers are banking on the success of the air taxi business model, too. Eclipse Aviation of Albuquerque, with funding from Bill Gates and philanthropist Alfred E. Mann, spent eight years developing the Eclipse 500. Honda, Cessna and Embraer are creating their own VLJs.

Linear chief Herp thinks VLJs will change private flying.

"Personal air transportation and private travel have connotations of rock stars and CEOs," he said. "Now this is available to a whole other class of people."

But Richard Aboulafia, an aviation analyst with the Teal Group, said only the top tier of society will feed the demand for air taxis.

"A handful of planes providing charter service, that's a great nice business," he said. "But if they have ambitions of transforming air transport as we know it, that's a fool's game."

The industry is too new to determine who is using air taxis and how frequently they're flying. But the current target demographic seems to be business travelers, who would typically drive long distances or lose time transferring in big airline hubs. Air taxis let them book direct flights according to their own schedules and skip Transportation Security Administration security mandates, such as taking off shoes and checking liquids.

"There's a whole cadre of middle managers who might get on airliner and lose a couple days of productivity," McCrea said. "If they get on an air taxi, they could be home that night and back in the office the next day."

Whether air taxis weather the economic storm depends on if affluent travelers and corporate executives can continue to afford private air travel, say some analysts.

About three years ago, the National Consortium for Aviation Mobility, a nonprofit group investigating uses for small airports and small jets, projected that by 2010 there would be a market for 8,300 small jets.

NASA and the Federal Aviation Administration began working on air taxis in the early 1990s, with the goal of relieving interstates and the hub-and-spoke airport system. But the FAA didn't approve the first mass-producible VLJs -- the Eclipse 500 and Cessna Citation Mustang -- for flight until 2006.

And no one in the industry foresaw an economic downturn.

"We were overly optimistic," McCrea said.