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Airlines Ignore a Crucial Market: Air Taxis for Business Travelers

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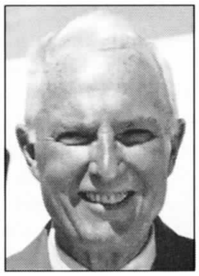

The airlines have a problem. It is not safety, security or service. It is myopia.

The scheduled carriers simply cannot see that they are in the transportation business, not the airline business. They are analogous to the ostrich that buries its head in the sand. After pulling it out, he has no idea where he was or where he is going. He is still a bird, but he cannot fly.

More than 450 million people will ride U. S. carriers this year. Yet only about half will travel for business. Why?

Largely because it has become increasingly difficult for busy executives to reach their destinations quickly, comfortably and conveniently, unless they use an aircraft their company owns, leases or charters. True, the airlines are setting records for the numbers of passengers carried. But historically, the business traveler has dominated the traffic. During the next few years revenue load factors could decline—if the carriers do not move into the 21st century now.

'EASY, COST EFFECTIVE'

The solution is easy and cost effective. It is in the form of nonscheduled, random access, "first class" executive air service in corporate type, turbine-powered aircraft, including helicopters.

The air taxi service I envision would be available on demand from almost any departure point for any destination. Sure, air taxis have been around for years. But the service I suggest is new and different in several respects.

First of all, it should not be operated by the airline, but under the airline's umbrella. This does several things.

It enhances image. Many people will not lease or charter an aircraft without knowing something about who owns it, how well it is maintained and the level of air crew proficiency. From the public's perception, a link with a major airline would dispel most of the anxiety so often associated with entrepreneurial air taxi services found at many local airports.

Next, the airline-owned air taxi could take advantage of the carrier's training and maintenance experience. The service also would realize operating cost savings as a result of the airline's bulk quantity fuel purchases.

For scheduling efficiency, an air taxi service controlled by an airline could use the same computer reservation system that carriers use, such as American's Sabre and United's Apollo. Sabre and Apollo account for the majority of the travel agent terminals in the U. S.

The market potential exists—and it is growing. Think of it this way: 75% of all scheduled traffic in the U. S. is concentrated at 22 hub airports. Yet corporate jets and turboprops (12,000 of them, twice as many as in the air carrier fleet) fly to more than 5,000 U. S. cities. That's 10 times the number now served by the scheduled airlines.

> *Scheduled carriers simply cannot see that they are in the transportation business, not the airline business*

In 1978, deregulation replaced federal controls of fares and routes with free market competition. Since then, air travelers in the U. S. have had to put up with congested airports and poor service, and complicated and confusing fare structures. But even more significant, carriers were allowed to drop low-density markets.

Consequently, small communities unable to generate enough passenger traffic are no longer on the main line. And the commuters or regional feeders are not filling the void.

Despite recent orders for new aircraft seating 19-100 or more passengers, the carriers will never meet the increasing demands of the business traveler until they diversify their transportation services.

Today, more and more business and professional people are shunning the airlines in favor of the flexibility, efficiency and convenience of company aircraft, charter services or air taxis. In fact, despite the belt-tightening at many companies, the business jet is becoming more popular than ever.

A principal reason is that fast, flexible transportation equates to more management time on the job. It means more face-to-face meetings with customers, prospects and suppliers. And you never have to leave a meeting until you accomplish what you came to do.

'DOST THOU LOVE LIFE?'

Ben Franklin stated it well when he said in 1784: "Dost thou love life? Then do not squander time, for that's the stuff that life is made of."

While the world market for business jets is still soft, it is improving. Domestic sales of lower-priced used models, on the other hand, are brisk. Brokers report that the price of a used corporate jet has gone up 30% since January. But the business could be better. The notion that only the "fat cats" travel this way prevails, mainly because our industry has done a lousy job of explaining what it is and what it does.

The general press, and many politicians, apparently do not understand the role of business flying in the nation's economy. It is ironic, inasmuch as the news media and elected officials are among the biggest users of private aircraft. And they use them for the same reasons executives do—to save valuable time and achieve greater productivity.

Other barriers to business flying include discriminatory restrictions at some major airports, tax inequities—such as the repeal of the 10% investment tax credit in 1986, which affects all capital equipment—and the outrageously high cost of liability insurance. It is ludicrous to let the trial lawyers take over and ruin an industry. We should follow Great Britain's example: British lawsuit losers must pay all legal fees.

Much of the blame for this dilemma, however, rests with the users themselves. Too few are willing to fight for their right to use the nation's airspace. They would just as soon leave confrontations with legislators and regulators to the manufacturers or other special interest groups.

But if the airlines became seriously involved in the air taxi/charter business, most of these constraints would either vanish or be modified. This would not only increase the utilization of private aircraft, it would stimulate sales of new aircraft at both ends of the spectrum.

Airline presidents think it is appropriate for employees to always fly with their own company, or at worst, another carrier. Company loyalty is fine, when it is practical. But these same presidents will admit that at times they will "lease airplanes" to get someplace not served by a direct flight on anybody's airline.

13 HR. VS. 3 HR.

That is the point. Business aircraft demonstrate their worth every day. For example, flying round trip between Rochester, Minn., and Wichita, Kan., takes almost 13 hr. by airline, ground time included. The same round trip in a private jet, including the time it takes to go to and from both airports, is about 3 hr.

Sophisticated managers recognize that the corporate aircraft is an important business tool. Also, the time-saving benefits of company aircraft can extend to long flights overseas.

As a result of the time involved in making connections on the airlines and in changing aircraft, a high-performance business jet flying directly from Baton Rouge, La., to Belfast, Northern Ireland, can easily beat the supersonic Concorde.

Some corporations prohibit their executives from using the airlines on both domestic and international business trips. The reason: a private jet helps provide a greater degree of safety and security from terrorism and other criminal activity when traveling the airways.

There is also a distinct economic advantage in operating business aircraft. Companies that do continue to outperform those that do not.

According to the latest annual survey of the 500 largest U. S. industrial corporations, companies that operate private aircraft lead their nonoperating competitors in sales volume, net profits and the return to shareholders on investment. And the average net income per employee is also higher by an even wider margin.

Here, obviously, is a market waiting to be tapped—the thousands of U. S. companies that are finding that airline travel wastes their executives' time.

Revamped airline route systems that provide fewer direct flights compound the problem. In fact, there are many employees riding the airlines instead of the company aircraft today to accumulate free mileage for vacations.

Some even take the long way with more stops. They are willing to accept the delays, diversions and airport terminal hassles just to get a freebie their companies paid for in the first place.

True, the frequent-flyer promotional incentives fill more seats, but with nonrevenue passengers. Also, the practice has driven prices of most first- and business-class tickets right out of sight.

One great myth is that corporate aircraft, even air taxis, are in competition with the airlines. Not so

The gross inequities in the programs are nothing short of ridiculous. For instance, Pan Am gave me 7,780 mi. free when I flew New York to Nairobi, via Frankfurt, a 16-hr. flight. Pan Am also gave me 2,000 mi. free for a 230-mi. trip on its shuttle (cleverly advertised as the "Corporate Jet") from New York to Washington, D. C., a 60-min. flight.

It is all legal, but in reality it is a kickback. Sooner or later, the IRS is bound to categorize airline bonus plans as taxable income, much the same as any other cash prize or gift of substantial value.

Nearly 30 years ago, the late Sen. Mike Monroney, who drafted much of our civil aviation legislation in the 1950s and 1960s, peered into the future. He saw, among other things, fewer airlines providing less frequent service at higher cost to fewer American cities.

Oklahoma's Monroney, "Mr. Aviation" to his congressional colleagues and constituents alike, also predicted the day of supersonic air travel, but under the flag of a U. S. carrier, not European.

The senator may have missed his mark in some areas, but he was not too far off when he foretold of a deterioration in airline service. And that is why business travelers are looking for alternatives.

A GREAT MYTH

One of the great myths in our industry is that corporate aircraft, even air taxis, are in competition with the airlines. Not so. Each component of the transportation system meets a special, customized need. Each complements and supplements the other. Business aircraft, in fact, fly company executives to and from airline terminals regularly.

For the frequent business flyer, rapid transit has more than one dimension. Therefore, a new type of first-class air taxi service, operated and maintained by separate divisions or subsidiaries of major airlines, simply makes good business sense.

Unfortunately, until the scheduled carriers get their heads out of the sand, they will never see this promising new market from a "bottom line" perspective.

One enterprising airline may have taken a small first step toward an all-purpose transportation system. Its newly adopted surface shuttle between its southwest hub and an adjoining city is aptly identified by "flight" numbers. Now passengers have a feeling the final leg to their destination is part of the main journey. On the day the shuttle was inaugurated, one harried passenger may have expressed a common concern over the sad state of modern scheduled airline service. As he stepped off the airline's shiny new bus, a reporter asked him how he enjoyed the trip.

"Best I ever had," he said. "We never left the ground." □