

Betting on a growing European market

By Otto Pohl

BERLIN

When Sir Bernard Ashley, founder of Laura Ashley Inc., used his corporate jet for flights within Europe 15 years ago, it wasn't seen as a business necessity like it was in the United States.

"They looked a little askance," he said of his European business colleagues. But in recent years, he says, he has watched the American sensibility seep across the Atlantic. "I have friends now using corporate jets that wouldn't have dreamed of it 15 years ago."

The business jet industry is watching this shift closely, and many are betting that this changing attitude, combined with a stable economy and the expansion of the European Union, has prepared the European business jet market for strong growth after several difficult years.

In order to keep their customers from defecting to these private jets, airlines are providing an increased range of options, from upgraded cabin service on commercial flights to dedicated business jets that fly to smaller, less crowded airports. NetJets Inc., which pioneered the concept of fractional jet ownership in the United States and is the largest owner of business jets in the world, recently announced a \$312 million investment in its European operations. The company is expanding its European fleet by nearly 50 percent, and expects to have about 60 planes by the end of the year.

"We're very bullish on our business in Europe," said Robert Dranitzke, director of communications and business development at NetJets Europe.

"Private aviation used to be something for the fat cats. Now the CEO is using it to increase shareholder value."

After two years of shrinking sales, there are broad signs that the business jet market is expanding. The General Aviation Manufacturers Association, which represents the leading airplane manufacturers, reported an almost 14 percent worldwide increase in business jet deliveries in the first quarter of 2004 as compared to the first quarter 2003. Part of that is due to a one-time tax break in the United States, said Ed Bolen, the president of the association, but it is also due to an improving economic outlook.

"We're not ready to declare it a banner year yet," he said. "But after two

years of significant decline, the thought of stabilization is positive news."

Companies like the ExecuJet Aviation Group, which offers business jets and charter service in 36 countries, are reporting increased demand across the globe. "We're seeing some very positive signs in all regions," said Peter Smales, the managing director of ExecuJet Europe. The company plans to add five or six planes this year to its European fleet of 40 jets.

As East European countries integrate into the European economy, companies hope to make use of private aviation to coordinate activities at increasingly far-flung subsidiaries.

A report released last month by Droege & Comp. and the Fraunhofer In-

stitut found that more than a quarter of all German companies surveyed plan to move part or all of their production facilities to Eastern Europe in the next three years.

Combined with the delays caused by increased security at airports, executives are increasingly looking at the benefits of private air travel. The fundamental driver of this sector, however, is strong economic growth, and signs of that in Europe are mixed. Some analysts see signs of a growing business travel market in the encouraging results recently posted by British Airways and Air France. "A recovery is under way at the premium end of the market," said Tim Coombs, managing director of Aviation Economics, an industry con-

sultancy. But, he warned, it was too early to speak of big gains in the business travel industry.

That competition intensified with the launch last year of a service by Club Airways that intends to bridge the gap between business class on a commercial airline and private flights. The Geneva-based company now offers scheduled flights on small business jets between seven European cities. Passengers pay an annual membership fee and then purchase tickets for each flight.

Since only members can board a Club Airways flight, security procedures take less time, and because the airline flies to smaller business airports, travel times to and from the airports are often shorter.

"With commercial airlines you have to spend two-thirds of your time on the ground," said Raphael Garcia, director of sales and marketing. "With us you spend two-thirds of your time in the air. You arrive, and in 30 seconds you're in your taxi on your way to town." Annual membership for a private customer is €1,500, or \$1,800. Flights on the airline are not cheap — a round-trip from Paris to Geneva costs €880. But that compares with an estimated €6,000 for the same flight using a business jet, in addition to the cost of purchasing the plane in the first place.

Club Airways has 1,200 members and offers 32 flights a day. Garcia said it plans to increase service to 40 to 45 flights a day by the end of the year.

An entrant into the business market for trans-Atlantic service is the business-class-only service offered by Lufthansa. Operated by PrivatAir, the Lufthansa service offers flights from Düsseldorf and Munich to New York and Düsseldorf to Chicago. With limited gate slots at the largest airports, however, combined with the greater cyclical nature of business travel spending, most airlines are concentrating on improving the business and first class services on existing flights.

Since they can no longer offer their customers a supersonic option, British Airways and Air France are trying their best to keep former Concorde customers from defecting to private jets. British Airways recently expanded its flat-bed business class service for trans-Atlantic flights, while Air France upgraded its first-class cabins. To stay competitive, Virgin Atlantic recently opened a lounge for passengers on its trans-Atlantic upper class service.



A Gulfstream IV-SP in flight. At bottom, a flight attendant arranges the cabin of a Gulfstream IV.

Frank Anderson/Lexington Herald-Leader/The Associated Press



Chris Stacey/The University of Queensland/The Associated Press

A supersonic jet engine, or scramjet, developed at the University of Queensland, is tested in Woomera, Australia. The jet could slash intercontinental journey times.

Commuters take heart, it could get a lot easier

By Otto Pohl

BERLIN

Why should busy executives be the only ones who get to reduce their commutes by flying?

"Every time you're caught in traffic, a little piece of your life goes out of the door," said Paul Moller, one of a number of inventors who has taken a hard look at improving the lot of those still stuck in the slow lane.

Moller has created a cross between an airplane and a car. It doesn't need a runway, fits into a one-car garage, and flies 450 kilometers, or 280 miles, an hour while getting gas mileage better than many SUVs.

Moller's Skycar is only one of a number of bold new aviation ideas that could reshape the way the world travels to work. A number of companies are building so-called microjets, which are like today's business jets but smaller and more affordable. Others, hewing closer to the Concorde's vision, have designed planes than can fly from New York to Tokyo in less than an hour.

Of these, the microjets are closest to reaching market. Colorado-based Adam

Aircraft expects to deliver the first of these planes by the end of the year. The A700 jet costs \$2 million and can fly four passengers 2,000 kilometers without refueling. The company is also working on a twin-propeller airplane, the A500, which costs \$895,000. According to company officials, thousands have already been ordered.

Currently, entry-level jets cost \$4 million, with larger models costing up to \$40 million. The producers of these tiny new jets hope to not only capture the business of companies that can't afford a larger jet, but also to create a market for air taxis. These taxis would be on call, like regular taxis, and could land at all of the small airports around the world, many of which don't have any regular commercial traffic.

Eclipse Aviation is planning to introduce a jet even cheaper and smaller than the Adam A700, but recent design hurdles have delayed release for several years. The plane, the Eclipse 500, will cost \$1.2 million and carry up to four passengers. It is scheduled for release in 2006.

The established manufacturer, Cessna, is also planning to enter the market. The Cessna Mustang is expected to cost \$2.3 million and carry four passengers.

BUSINESS AVIATION

The primary hurdle that these tiny planes face is an overburdened air traffic control system. In order to accommodate a swarm of tiny planes filling the skies, a new control system needs to be implemented. In the United States, the space agency, NASA, has begun work on a Small Aircraft Transportation System, which will use advanced GPS technology to track planes flying between the country's estimated 5,400 airports.

But tracking planes between a few thousand airports is nothing compared to the challenge presented by Moller's Skycar, which can take off and land on any hard surface. Since there is no pilot on board, it would not only need to be tracked by a central monitoring agency, but steered by it.

Skeptics doubt that there will ever be a system reliable enough to guide that many vehicles safely, but others who have seen the vehicle are convinced that its time will come. Several officials from NASA have seen the vehicle and

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are convinced that it is only a matter of time before it transforms society.

"Technically, this is a completely viable product," said Moller, who has flown test flights and already pre-sold about 100 of the vehicles. The price is \$750,000, but Moller expects that they will cost about the same as ordinary cars once the vehicle is produced in volume.

At the other end of the spectrum, several research groups intend to revolutionize long-distance travel with new engines that allow for intercontinental flights at rocket speeds. Last year, the Moscow Aviation Institute announced a design for a plane they call the Cosmoplane that would fly out of the Earth's atmosphere at the top of its trajectory.

Ivan Obruchev, a member of the project, said that tests were already under way, and that the plane could be ready in 10 to 15 years. The engines would run on a mix of liquid hydrogen and oxygen and propel the plane at speeds up to 28,000 kilometers an hour. Obruchev said that the Cosmoplane could fly from Moscow to New York in 50 minutes, and New York to Tokyo in only a few minutes more.

In the United States, Alliant Techsystems Inc. is leading a project than intends to produce a plane that could also fly at hypersonic speeds. Called the scramjet, it uses oxygen from the thin upper atmosphere to ignite hydrogen fuel. It could fly at 8,000 kilometers an hour, fast enough to fly from Los Angeles to Sydney in under two hours. But these new supersonic jets won't come cheap. Initial estimates by the Cosmoplane developers indicate that a ticket would cost at least \$16,000.

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