These are “disruptive” times. New technologies are challenging and changing the ways we communicate, conduct business and socialize.

With powerful smartphones and tablets omnipresent, social media mania, “crowdsourcing” start-ups and the ongoing “shared economy” scramble, change is the paradigm now, bringing a host of new possibilities as well as problems.

Nothing is immune to the new economy, and the vanguard for general aviation change may reside in the charter segment. With business aviation essentially stalled since the Great Recession of a decade ago, speculation is rife about any new thing that might jump-start the industry by delivering the advantages of this unique transportation segment to a larger demographic of users — an “Uber-ization” of business aviation, if you will.
The primary element to facilitate this is the extensive and sophisticated U.S. general aviation infrastructure, which, in most cases, is not being exploited to its fullest potential. If costs and consequent pricing for business aviation charter flying could be reduced, it would obviously open this market to individuals and companies that had previously deemed such travel as too expensive. This option could represent an especially valuable service in regions of the country underserved by the airlines.

Enter the shared economy, itself made possible by the internet, mobile phone apps, social media like Facebook and electronic bulletin boards, and — voila — crowdsourcing.

The traditional business model for FAR Part 135 charter has been an operator or management company contracting with aircraft owners whereby the former handles all required record-keeping and maintenance and puts the aircraft on its Part 135 certificates and holds them out for charters, sharing income with the owners to help defray operating expenses.

Fractional ownership providers also follow this model to some extent, only when they charter out aircraft, the share—owners generally don’t share in that revenue.

The charter/management arrangement endures because most operators simply cannot afford to own the aircraft they market to their charter customers, especially larger business
jets. While this has been the business model since the end of World War II, its principal flaw has been the lack of unlimited access to the managed aircraft, as the owner always enjoys primacy, complicating scheduling for charters. (A way around this, albeit one that is less profitable, is for the operator to contract with another charter company to fly the charter.)

And in the recovered U.S. economy, according to Bill Deere, executive vice president, government and external affairs, at the National Air Transportation Association (NATA), legacy charter/management outfits are actually doing well.

“It’s strong because of changes in airline routing; the operators are all very busy,” he told BCA. “It’s both a case of airlines abandoning smaller markets and a general uptick in business since the 2008 recession.” Fractional ownership continues to do well, too, Deere maintains, “because it offers a comfort zone for some shareholders. And for some, it has been an introduction to business aviation, and if they decide to sell their shares back to providers, they often will move to whole aircraft ownership or to chartering.”

**Disrupting the Status Quo**

But in both examples, the users are financially upscale customers, either individuals or companies — a fairly exclusive demographic. However, what if aircraft charter, at least on a regional basis, could be priced to attract a larger customer demographic?

In the traditional model, one customer (or flight department seeking supplemental lift) secures the whole aircraft for a single flight or series of trips and the aircraft’s return to its home base or to the next user. But in the new crowdsourcing model, a group of individuals, often connected only by social media, charters the aircraft. Under such an arrangement no single person or entity has responsibility for the trip and the cost is defrayed among the individual riders.
Now add another wrinkle whereby the Part 135 operator advertises a flight between a popular city pair on a regularly scheduled basis — a sort of commercial shuttle — selling individual seats on board. This transforms the traditional on-demand charter model into a form of common carriage. However, there is a narrow legal basis for such an arrangement that is being exploited by aggregators like Tradewind in New England and Surf Air in California and others.

The shared economy, of course, is all about innovation, freedom and disruption of the status quo, but certain applications can produce dubious results or simply be impermissible. Inspired by ride-sharing services Uber and Lyft, outfits called AirPooler and Flytenow were launched in 2014 to connect private pilots with potential cost-sharing riders unknown to them. Both entities maintained websites that travelers could access to view trips listed by private pilots with origins and destinations, dates and times, aircraft types and available seats. And both charged a fee for the listings. Only a few months after AirPooler hit the web, more than 10,000 pilots had signed up to list their flights.

However, the FAA stepped in, informing both AirPooler and Flytenow that, indeed, private pilots participating in the programs were in violation of FARs and that the websites were a form of holding out and should be shut down, a position later supported by the U.S. Court of Appeals. As a result, the websites and services were deactivated.
But as Jacqueline “Jacque” Rosser, staff liaison for the NATA Air Charter Committee, notes, many outside the aviation industry have little idea as to how extensively regulated it is, to ensure both its safety and economic viability. “The government is very involved with every aspect of aviation in the National Airspace System,” she said, adding, “The FAA regards any transaction regarding money being common carriage with all the responsibilities that entails.” Aviation is “filled with fine lines,” Rosser observed, “but they are solid and defined.”

FAA spokesperson Alison Duquette added, “An attempt to ‘crowdsource’ a flight on a carrier that does not have the requisite DOT [Department of Transportation] economic and FAA safety authority would not be allowed. The entity that is doing the crowdsourcing can’t be, in effect, operating as an indirect air carrier, and the direct air carrier cannot hold out scheduled service unless it has the requisite scheduled DOT/FAA authority.”

**Another Way**

As noted earlier, there is another way to crowdsource an airplane ride, one that’s FAA- and DOT-legal, and it’s being used by operators in the shared economy right now.

Rosser calls it “an expansion into public charter operations as per DOT Part 380 [14 CFR 380]” and refers to this new charter application as “self-aggregation.” The rule, formally titled “Public Charters,” which dates back to the 1960s and involved the booking of inclusive tours on diverse forms of transportation (e.g., airlines and cruise lines), is fundamental to marketing charter more as a common carrier than as an exclusive service for the well-heeled. What makes this possible is a provision in another DOT rule, 14 CFR 110.2, allowing on-demand charter operators to carry out a limited number of scheduled operations as long as the aircraft they use contain no more than nine passenger seats and are not turbojet-powered, and that the operators petition the DOT for each planned revenue-producing flight.

“‘Public charter’ has not been widely used in Part 135 operations,” Rosser said. “These rules evolved out of the need to protect the finances of the passengers, and in these instances, all the money is held in escrow. Crowdsourcing is actually no different than it used to be when a group would charter a plane. This is perfectly legal, as it’s truly on-demand charter. Now it’s being done more often on a web forum, and that’s also legal.”

As an example, Rosser explained, “Let’s say I’m on a user forum, and I say I’m thinking about going to an event next week and will charter a plane, and does anyone want to go and
share the cost of the charter. That’s fine, and that’s self-aggregation. Now turn it around and move the time line: I book the aircraft and then get on line and advertise the charter, and now I’ve turned that into a scheduled flight.

“The charter operator may have no idea that I’ve done that,” she continued. “And yet they’re the one that has their certificate on line. So operators are rightly concerned about that — that the people they’re engaging with are legitimate. They know what a Part 380 public charter is, but not the details of what it requires.”

Mike Riegel, proprietor of the AviationIQ business aviation consultancy, offers a more cautious appraisal of crowdsourcing charter flights. Noting that the charter market is being “inundated” with large numbers of attractively priced, relatively young business jets divested from fractional ownership programs and others, he speculates this additional capacity of more affordable aircraft could make more charter available to a larger clientele and encourage new user options like crowdsourcing.

“All of the market data, however, are suggesting that the legality of crowdsourcing, as happened with fractional ownership, is going to require a significant shift in present FAA regulations to support it,” he said.

The FAA was never completely comfortable with fractional ownership carried out under FAR Part 91, and as the industry matured, the agency required greater oversight, applying criteria similar to that of Part 135 — the long-negotiated Subpart K, which Riegel terms “a Frankenstein monster” — but failed to increase oversight due to limited resources. “Crowdsourcing likewise does not fit the existing regulations, neither Part 91, Subpart K or Part 135,” he said. “The issue is operational control, the bottom line being that if a charter operator has command and control, there is absolute clarity as to who is responsible for the flight. With crowdsourcing there is no clarity as to liability, even if done under Part 135.”

**Plumbing the Shared Economy**

One operator that appears to be doing it right is Tradewind Aviation of Oxford, Connecticut. Founded by brothers David and Eric Zipkin in November 2001, Tradewind was one of the first single-engine Part 135 operations in the U.S. following the FAA’s 1998 approval of commercial IFR in single-engine aircraft. At the time, the company was operating a company-owned Cessna Caravan and managing two more for client owners in a traditional charter/management arrangement.
“I’d been a pilot,” Eric Zipkin, Tradewind’s president and CEO told BCA, “but my wife said that if I was going to continue flying, I had to get paid for it.

Assuming a viable charter operation would require a multiengine aircraft, Tradewind bought a King Air 200 and managed a second one. Then in 2003, a Pilatus PC-12 owner asked the brothers to manage his aircraft.

“The aircraft was well received by our customer base that was mostly flying in the King Air,” Zipkin recalled, “and that opened the single-engine turboprop market to us.”

Moreover, the economics of the single-engine Pilatus were so attractive, the company sold the King Air and Caravans and transitioned to an all-Pilatus fleet. Today Tradewind operates 18 PC-12s, 11 of which are company owned.

“We hit the aviation world at the right time for single-engine turboprop operations,” he said.

In addition, the company today also manages and charters three Cessna Citation CJ3s — “very different airplanes,” Zipkin says, “with smaller margins than the turboprops.” All aircraft are flown with two pilots.
From Tradewind’s outset, Zipkin said, the company was flying charter customers between the same city pairs on a fairly regular basis. The most popular pairing was the New York City area and Nantucket Island. These riders began to talk to each other, and, Zipkin recalled, “What they were saying was, ‘Why don’t we get together and charter an airplane?’”

“That evolved from six to 12 people, and it became unwieldy, so they came to us and asked if we could administer the sharing of these flights,” Zipkin said. “That became the nexus of our shuttle service. At the time, the only way to do that legally was as a scheduled operation [under 14 CFR 110.2].”

Today, Tradewind operates up to 25 scheduled shuttles daily, servicing business and vacation markets in New England and the Caribbean regions, the latter on a seasonal basis. The New England service operates between hub airports Westchester County Airport (HPN) in White Plains, New York, and New Jersey’s Teterboro Airport (TEB) to Boston’s Logan International (BOS), Martha’s Vineyard (MVY), Nantucket (ACK) and Morrisville-Stowe State Airport in Vermont (MVL). Meanwhile, the seasonal “snowbird” Caribbean operation
based out of San Juan Luis Munoz Marin International Airport (TJSJ) in Puerto Rico serves Anguilla (TQPF), Antigua (TAPA), St. Barts (TFFJ), Nevis (TKPN) and St. Thomas (TIST).

What the operation continues to be, Zipkin said, “is offering a private aircraft service on a shared basis — we did it before the ‘shared economy’ was a sound bite. So, from a regulatory standpoint, we are a scheduled operation. From the customer standpoint, we are a shared charter. We are providing service and increasing margin as opposed to volume.” Arguably, Zipkin insisted, Tradewind is “the prototypical shared economy — taking a private aircraft and sharing it. Because of the type of operation, though, we can make that work from a regulatory standpoint. Conceptually, what the DOT and FAA want is a safe aircraft and having the consumer protected. The regs are currently designed to ensure those two things but around a much more traditional airline-type operation.”

But Zipkin pointed out that the current paradigm didn’t exist when these regulations were formulated and that the FAA is trying to “fit a square peg into a round hole. The concern on the FAA’s part is that if you don’t insist on the commercial level of regulation, there is no incentive for any operator to hold itself to a higher standard. We started the business flying on-demand charters and morphed into a scheduled operation. Going to Stowe began as a charter, and we now do six scheduled flights a week during both the ski season and the rest of the year.”

The shared charter concept worked well with the leisure destinations, which previously had poor airline service and, thus, were difficult to access by air. “But people go on vacation 15 weekends a year,” Zipkin said, “so it’s a weekend-driven business.” To stabilize the revenue stream, Tradewind’s solution was obvious: Head to the Eastern Caribbean during the northeastern wintertime. “The warmth and water didn’t hurt very much, either!”

**Qualifying the Routes**

But scheduled operations come with a risk: filling the seats on all the segments. Operating out of San Juan in 2005, Tradewind tested those metaphorical Caribbean waters by first flying charters to assess the market. “So it started as on-demand and went to scheduled in the 2006-07 winter season when the market was defined. We had the same clientele and brought it to the Caribbean. Our main base is San Juan, with nine airplanes based there this time of year flying to half a dozen destinations. It’s a nice seasonal change from flying [fares] around just the Northeast. It evens out the revenue stream and the use of the resources, and we can hire pilots on a career basis. And it also works well with maintenance support.”
Zipkin has high praise for San Juan Luis Munoz Marin International Airport, a case where he believes that privatization has worked. Yet, Tradewind operates out of HPN, helping to generate 73% of that airport’s revenue, and he’s convinced it would be a mistake for a private operator to take control there (see “Airports Changing Ownership,” March 2017, page 48).

At San Juan Tradewind operates out of Terminal A and passengers check in at an airline desk. At the smaller island destinations, it is supported by FBOs, other carriers and a handling agent.

At White Plains and Boston, Tradewind operates out of Million Air and Signature Flight Support, respectively, and Signature-South at Teterboro. In Vermont, it’s Stowe Aviation; and at Nantucket and the Vineyard, Tradewind uses general aviation terminals.

Notably, Zipkin says, “We don’t have to comply with the Twelve-Five TSA program for domestic ops — no screening or vetting required.”

However, internationally in the Caribbean, the company must comply with Twelve-Five but with reduced screening, as the aircraft are small and the passengers tend to know each other.

Passengers have their choice of booking either one way or round-trip, e.g., HPN-BOS, $395 one way or approximately $600 for the round-trip. Ticket books numbering between 10 and 19 one-way trips for the above city pair can reduce the fare to $365; for a 40-plus ticket book, a one way comes down to $295. “This is popular among corporations that can then provide them to their employees,” Zipkin said. A fare schedule for all destinations can be viewed on the Tradewind website at http://www.flytradewind.com. Tickets are sold on the website and through travel agencies. “Then there are on-demand charters,” Zipkin explained, “for example, to buy the whole airplane, it starts at $1,700 an hour.”

Tradewind employs 170 people, of whom 94 are pilots. About 15 pilots are part-time seasonal employees, as are the Caribbean ground-support staff. “By year-end, we expect to have 250 total employees,” Zipkin said. “Ridership continues to grow. I’ve always been a proponent of organic [i.e., slow] growth. We are always looking at other possible business routes, the requirements being difficulty to access on the airlines, 150-250-nm radius or the 45-60-min. ‘sweet spot’ of the PC-12. So we are constantly looking at destinations where that would work.”
The company has targeted fall 2017 for the inauguration of another route. “If we chose to serve the Washington, D.C., area,” Zipkin speculated, “we would have to use an airport other than DCA [Reagan Washington National], as the rules for operating in there are onerous, including the requirement to supply an air marshal.

“We are a family owned company: my sister, brother and me,” Zipkin continued. “We launched the company with one plane and a part-time bookkeeper, and we were doing the shared economy thing before it became a thing. We have grown by 40% year over year in the last decade. Total revenue has increased from $250,000 in the first year to more than $30 million in 2016.”

For Members Only

Another option for charter users is the so-called membership program. This is not a new concept but an alternative to both traditional on-demand charter and fractional ownership, almost a merger of the two. NATA’s Rosser cites Wheels Up as “epitomizing” the membership scheme, adding that “They are buying the aircraft and operating them under Part 135, all legitimate. The passengers are purchasing memberships, a variation on fractional ownership but without the ownership interest. It’s homogeneous — the same type of aircraft, all standardized — as opposed to traditional charter where usually all the aircraft all different.”
Wheels Up is the creation of Kenny Dichter, who had previously cofounded the Marquis Jet Card program that parsed out charter on NetJets aircraft in 25-hr. allotments. Highly successful, Marquis was eventually absorbed by NetJets, freeing up Dichter to conceive Wheels Up, which he launched with the slogan, “You aren’t purchasing an asset, you are joining a club.”

The venture was tailored for the internet age, as exemplified in Dichter’s vernacular in describing it.

“Our research showed that 80% of flights in North America are less than 2 hr. in duration, so the premise was to provide customers a ‘flying SUV,’” he told BCA. “With flights of that length, this begins to look more like Netflix than NetJets. In the old days, you had to own the asset or a piece of it, but today we see changes in the way people use or purchase things, a good example being Spotify. We provide a membership service for an entry fee and annual dues, and you can fly as much as you like at reduced rates and guaranteed availability without the residual risks that come with ownership.”
And it’s a pretty exclusive club. “We’re creating a ‘frictionless’ way to fly privately on a closed fleet of aircraft,” Dichter claimed, “a fleet that you must be a member of to access, and that enables us to size the company to deliver the guaranteed service to the members.”

Consistent with the 2-hr. average flight-time mission, Wheels Up’s fleet consists of 57 King Air 350i turboprops and 15 Cessna Citation Excel and XLS business jets. Five more of the Citations are expected to join the fleet later this year. Mimicking a fractional ownership program’s homogeneity, all the aircraft of each type are outfitted exactly the same to impart a sense of continuity to program members.
While the aircraft are owned by Wheels Up, they’re operated by Gama Aviation, an international management and aviation services company headquartered in the U.K., under its Part 135 certificate as a turnkey operation and supported by the Signature FBO chain at destinations. Gama employs more than 300 pilots to operate the fleet, and maintenance is handled through Textron Aviation.

“Using partners like Gama has exceeded our expectations,” Dichter said. While Wheels Up is based in Bridgeport, Connecticut, the fleet constantly floats in the manner of a fractional operation. When a member reserves a flight, Dichter said, “It’s on us to get the airplane there within a 24-hr. response time.”

As an extension of service to its members, Wheels Up supplements its ad hoc operations with short-term private shuttles arranged for special events like the Super Bowl and to service popular destinations. As an example of the latter, the company this winter launched a shuttle operation between New York and Fort Lauderdale, Florida, catering to “snowbird” customers and scheduled to operate through March.
Another perk is “hot flights,” or empty legs posted daily on the Wheels Up app and made available to members at prices claimed to be lower than most commercial flights.

And to complete what Dichter terms “a total private aviation solution,” the program also operates a flight desk to arrange charters with approved Part 135 operators for members who may need to travel on long-range aircraft or those with more than eight passenger seats.

Wheels Up offers individual memberships for $17,500 and corporate memberships priced at $29,000. Fortune 500 flight departments are said to be using corporate memberships for supplemental lift, and Wheels Up claims more than 200 memberships representing 100 flight departments and small businesses like law firms. Individual memberships now number 4,000, he reported. A member can bring up to seven other passengers for flights on either aircraft type. “Our goal is to get to 10,000 members, then 25,000,” Dichter said.

At the last round of capitalization, the privately held company was valued at $521.5 million. “We will be profitable this year,” Dichter predicted. “We believe we are on the right path.”