

# European Charter Market on the Upswing

**Angus Batey** February 08, 2022



As demand for private air charter has increased through 2021, aircraft-management companies have found it easier to make a convincing business case to owners, and have been able to increase the amount of hours managed aircraft are available to the charter marketplace. Photo credit: Luxaviation)

Predicting the future is never easy, but assessing demand and supply for international air travel in the middle of a global pandemic is a particularly difficult task. Yet this is what charter operators, brokers and businesses that supply it must try to do.

As the COVID-19 virus mutates and new variants emerge, with different transmissibility characteristics and severity, and nations respond in different ways, any attempt to accurately pre-position aircraft, crews or maintenance provision seems doomed to fail. And the predictive problem is, if anything, only amplified by the remarkable resurgence business aviation has seen since the pandemic first hit in the early part of 2020.

"I spoke with one of our large European multinational AOC operators, who said, at the moment, that they're 27% up on 2019," says Glenn Hogben, CEO of the Air Charter Association (ACA), a British-based trade body that represents a wide range of bizav entities, regardless of where in the world they are headquartered or operate. "However, what they've seen if you break the year down, January to April [2021] was absolutely dead; May to June, they started to see some early signs of improvement. Then in July it went through the roof and their business has been maxed out."

The trend, which Hogben says is representative of the experiences of many of the ACA's members, results, in the main, from the sector reaping the benefits of two aligned realizations among end-user customers. With commercial airlines reducing their networks, some direct routes are no longer served, meaning private aircraft may now be the only way to travel to their destination without extended journey times and connections. Secondly, for those who can afford it, private aviation offers greater reassurance of COVID-safe travel, by limiting the time spent in airports and limiting interactions with people outside their circle of trust.

These factors have combined to bring large numbers of first-time bizjet users into the sector, and industry professionals are routinely bullish about how many of these newcomers will be retained as long-term customers. But an expanded market implies a scaling up of capacity, which is impossible to deliver in a short time-frame. This has had several consequences, some more helpful than others.

"A good thing for us is that the prices went back to where they should be," says George Galanopoulos, managing director and cofounder of Luxaviation's U.K. division. "Traditionally as an industry, we undercharge. I've seen it for the last 25 years. Something that should be selling for £10 we sell it for £8 because we want the work. That's not right, but that's been the industry historically. And then we came into the later part of 2021, and the prices went up to where they should be."

"I've had one operator comment to me that sometimes they're doing business without making a profit--selling a flight at cost to win and maintain business," says Hogben. "This year, that's changed. The businesses in the industry have had a tough time over a number of years with that issue, and it's certainly created quite a lot of friction between brokers and operators. Brokers survey the whole market for their client, and they push their best operators to reduce prices so they can buy as well as possible. But now, when there's more demand than supply, the operators have [been able to say], 'Actually, hang on, no: This is the price.' It's a great position for operators to be in, and it will help bring stability to the market."

Galanopoulos admits that assessing how many of those new customers will stay with business aviation is very difficult but believes that the return to realistic pricing augurs well. These are clearly not customers who have only been won through discounted pricing, are generating realistic margins from their first flight, and should not therefore be under any illusions about the likely ongoing cost of private air travel.

"The new entrants are coming in at the right price, and hopefully these people are used to it, and they will stay going forward," he says. "There's always going to be a virus--a variant or a new virus--and I think people will continue to be wary. We will have restrictions coming and going, at least for the foreseeable future. That's probably good news for business aviation."

The price increase is a function of the increased demand. This has been a particular problem for operators of membership and card schemes--where availability is guaranteed for a set price--many of whom have closed their programs to new customers or extended limits on access to aircraft during peak periods (Thanksgiving and the Super Bowl in North America; the Champions League final and the Monaco Grand Prix in Europe; Christmas and New Year more or less everywhere). The biggest winners appear to be those companies that had pursued aggressive fleet expansion plans prior to the pandemic and have been able to accept delivery of new aircraft right at the point where demand has surged.

"Price per hour is up about 30% since February," says Ian Moore, chief commercial officer of VistaJet. The company operates guaranteed-availability programs and an on-demand product, and Moore says they have had to "turn off the tap a little bit on the on-demand side." VistaJet has not closed its program to new business but is generally unwilling to take on clients looking for less than 100 hr. per year.

VistaJet received its first [Bombardier Global](#) 7500 aircraft during the pandemic, having made its first order for the type in 2013. The firm is also in the process of adding 10 Challenger 350s. "The best way to get yourself out of this is just to build yourself a larger fleet," Moore says. "The business model of on-demand and program working together means I have more slack than other operators do. We've never had the biggest fleet, so we're looking for rapid users of aviation and less aircraft per customer. That was always our focus pre-COVID. We can tailor each deal to the marketplace and to what our customers want."

With OEM output still affected by pandemic-related restrictions on workforce availability, and record low levels of supply in the secondhand aircraft marketplace, there are limited options open to operators to increase fleet sizes. Persuading owners of managed aircraft to release more hours to the charter marketplace may well be the quickest way to ease the logjam. The higher prices currently being achieved per flying hour are making this easier.

"When you go to an owner and say, 'This is what this charter hour will return to you,' if it's very low, people will look at it and [demur]," says Galanopoulos. "These are people who are wealthy for a reason. They know that if they're only making a 20% return, by the time they've allowed for depreciation of the aircraft, they're making very little. But at current charter prices it becomes attractive."

"One of the biggest reasons that the number of charter aircraft reduced was the lack of returns available for private owners," Hogben says. "Pricing moving back up to more normal levels should encourage more owners to offer their aircraft up to the charter market."