Bright skies for corporate jet industry as B.C.'s reach goes global

Despite being hit hard by the recession, local charter companies invest in jet purchases

BY BRIAN MORTON, VANCOUVER SUN  NOVEMBER 13, 2010

VANCOUVER - With the recession fading into the horizon, Wynne Powell is increasingly bullish about B.C.'s corporate jet charter industry.

So bullish, in fact, that his company, Richmond-based London Air Services, recently spent $65 million to become the first in the world to order Bombardier's latest executive jet, the Global 7000.
The jet, with a range of 7,400 nautical miles (13,700 kilometres), has a high-speed cruise of Mach 0.90 (Mach 1 is the speed of sound), is capable of carrying 19 passengers in a spacious cabin, and can fly non-stop from Vancouver to Beijing.

And it won't even be delivered for seven years.

"When you look at the recession, we were all affected," Powell, the president and CEO of London Air, said in an interview about the industry.

"It was tough times. But now we're seeing the beginnings of an economic recovery. [Business travellers] are getting on planes again and going out to make deals."

BUSINESS GROWING

Powell, whose aircraft fly out of Vancouver International Airport, said business is up significantly over the past two months.

He believes London Air's total business will rise about 10 per cent this year compared to 2009.

Other charter operators report the same trend.

John Morris, president and co-owner of Blackcomb Aviation, said the recession wasn't pleasant, but conceded things are changing.

The company has taken delivery of a four-passenger Cessna Citation jet for $3 million and has another aircraft on order.

His company, which flies primarily throughout North America and is among about half a dozen corporate jet companies based in Vancouver, has six jets, along with 15 helicopters and two light single-engine Cessnas.

"We're cautiously optimistic," Morris said of the economic turnaround.

"But people are phoning and the planes are flying again. It's not over the top, but it has picked up substantially from an abysmal 2009."

"This business is directly related to the economy," he added, noting that 85 per cent of their clients are B.C. residents heading elsewhere. "As the economy comes back, people have to get places and they need to use aircraft. And we provide the ability to get from point A to point B in a single day in scenarios you couldn't possibly get with the [larger] airlines."
Both Morris and Powell cite several factors that bode well for Vancouver's corporate air charter industry, including the city's international outlook, its position as a major Asian gateway, and the exposure it received during the 2010 Olympics.

Powell -- whose company was formed in 1999 and is a division of the H.Y. Louie Group (which also owns London Drugs) -- operates 11 Lear and Challenger jets (with nine to 12 seats each) and three 15-passenger helicopters.

A Global Express XRS jet is scheduled for delivery in 2012.

**NOT A FRIVOLOUS EXPENSE**

He said the perception of jet charters as a frivolous expense for the wealthy couldn't be further from the truth.

Powell points out that typically a group of eight or nine business people might charter a jet to another B.C. location, with a Vancouver to Prince George price tag of $2,600.

From Vancouver to Tokyo, he added, a jet capable of carrying 12 people costs $66,000.

"When you compare it to first-class seats, it's not that bad. It's not the money, it's the ability to make money with what you're doing. And CFOs [chief financial officers] strongly support us because they know their group is out making money."

Those leasing private jets cover a wide range of users, from actors travelling between here and California and B.C. mining executives flying to Latin America to meet with local officials, or a corporate team requiring a quick flight to Beijing to finalize a business deal.

Other groups that use the service include construction executives, engineers, government agencies and financial institutions.

Then there's the groups or families that lease jets for a vacation escape in a remote corner of the globe.

"It runs the whole gamut," said Morris, who noted that his charter from Vancouver to New York City in a six-passenger jet runs about $35,000.
"It's very competitive and you have to find your own market niche," added Morris, himself a pilot who flies from his Squamish home to the company's Richmond base. "It's geared to a high level of customer service and value."

Powell added: "B. C. is an exporting province [and] the best way [businesses] can make money is to sell their services around the world. Face-to-face meetings are still very important.

"The economies of the world depend on time-challenged individuals affecting efficient travel. This helps them make money."

Powell said that while the Olympics are increasingly cited by foreign clients speaking about Vancouver's virtues, jet charter business was severely hampered during the Games because of complex security protocol.

"That was a dark period. But we're now getting comments from people saying, 'We saw your city during the Olympics.' It's having a positive effect now."

Morris agreed. "The Olympics were flat for us. But the impact of the Olympics' exposure has not done anything but enhance our business. We're getting the spinoff effect from that."

CUSTOMERS BUY THEIR OWN

Morris said another aspect of their business is assisting charter customers who end up purchasing their own aircraft because they like the benefits.

"When that happens, we provide the technical expertise from acquisition through operations and we subsequently continue to manage, crew and maintain the aircraft on behalf of the owner," he said.

Sam Barone, president and CEO of the Canadian Business Aviation Association, a nonprofit association representing Canada's business aviation community, said in an interview that the jet charter industry was hard hit by the recession, but not as badly as in the U.S.

He said business fell about five per cent in 2009, but that it's now up about four per cent over last year.
"It's on an upswing. There's some stability in the market, but it's not gangbusters, like three or four years ago," said Barone.

He said B.C.'s corporate air charter companies are in a particularly good position because Vancouver is geared strongly to Asia and there's a lot of travel to Latin America by local mining executives.

He said new business involving Canadian companies in India, Russia, the Middle East and, of course, China has added to the need for corporate jet travel.

"The B.C. economy will drive this demand over the next five to 10 years," added Barone, who anticipates another two-to five-per-cent increase in demand for jet charters nationally in 2011.

"It will be healthy. Charter flying will increase as B.C. diversifies and reaches out with its trade links.

"B. C. is a very internationally oriented economy. And a certain sector will always use this type of travel. It's a very secure mode, a flying boardroom and office."

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