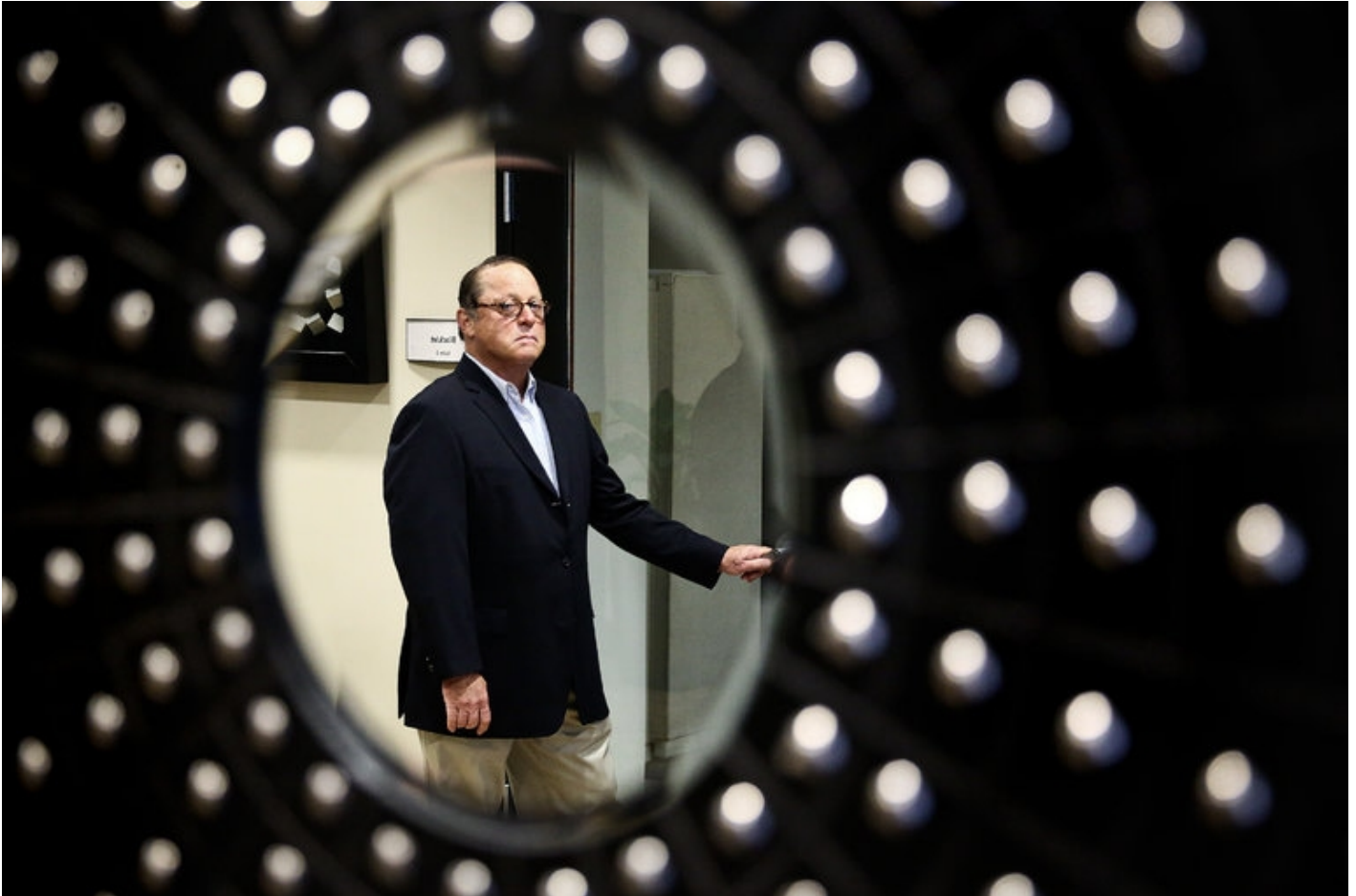




START-UPS SELLING SEATS ON PRIVATE JETS DON'T ALWAYS MAKE IT

News / Business aviation



Dannel Schwartz was agonizing over his wife's 60th birthday gift when she proposed an idea herself.

"She said, 'You know, I don't want to wait on another T.S.A. line. I want a private plane,'" said Mr. Schwartz, a retired rabbi who splits time between Florida and Maine. "We laughed. Then comes this email about how it would cost \$4 a flight."

Intrigued by the all-you-can-fly model offered by BlackJet, the couple in March paid \$15,000 for a membership that would allow them cheap seats on private jets with empty spots, scheduling their first trip for the weekend of April 30.

But it quickly became clear that the Schwartzes would not be making the flight to New York. The company stalled when Mr. Schwartz tried to confirm the flight a few days before it was scheduled.

A few days later came even worse news in an email from **BlackJet**.

"It is with great regret and personal disappointment that I need to report the following," wrote the

company's chief executive, Dean Rotchin. "Recent events have resulted in abruptly ceasing BlackJet operations."

The Schwartzes' \$15,000 was gone. They said they had wired the money to the company, which told the couple it was no longer accepting credit cards.

"Not even one trip," said Mr. Schwartz, 70. "It's embarrassing to go through this."

The Schwartzes' experience is a warning to travelers considering start-ups that offer relatively inexpensive access to private jets, once out of reach to the average customer. New companies pop up frequently, many with apps that allow travelers to book seats in minutes. But not all of them will survive.

BlackJet was founded in 2012 and aimed to apply the Uber model to private jets. It was backed by a founder of Uber, Garrett Camp, and celebrities like Ashton Kutcher. But about a year after it began, it laid off staff and suspended service. It later shifted to the membership model, which allowed customers to find unused seats on nearby jets. That is what enticed the Schwartzes, who found that travelers who join can be on the line for thousands of dollars.

In his email to clients last month, Mr. Rotchin said "inaccurate bad press" had caused BlackJet's sudden closing, a reference to a TechCrunch article

in April that incorrectly reported that the company had expired, which dented membership sales. He also blamed delays in short-term and long-term financing.

But in an interview late last month, he said the collapse happened mainly because a BlackJet official who was crucial to operations left the company, though he would not name the executive.

Mr. Rotchin acknowledged that the private jet business was inherently risky and said that the company stopped accepting credit cards late last year because of high fees.

"Everybody knew when they signed up that there would be no refunds," he said. "There is some risk when you pay upfront for anything."

For travelers looking into private jet services, Robert Mann, an airline industry analyst and consultant, suggests considering companies that have a history and own their own planes, as opposed to BlackJet, which acted as a broker, matching travelers with empty seats. Several major or developing players — some of which have evolved since their founding — have their own fleets, including the 10-year-old XOJet and the 2013 start-up Surf Air.

Too many start-ups are playing fast and loose with both safety and finances, said Mr. Mann, citing the 2005 crash of a Platinum Jet plane at Teterboro Airport in New Jersey. Federal authorities said the accident, which led to several felony convictions, illustrated the need for better oversight of charter companies.

"It really is the Wild West," Mr. Mann said, referring to recent charter jet accidents in Massachusetts and Ohio.

Executives who have tried — and sometimes failed — to "democratize" private aviation are not giving up. Mr. Rotchin first tried out the plane-hailing concept with Greenjets, which fell into financial trouble and reorganized, becoming BlackJet. He is now considering his next move, but he

said he realized that failures like these raise investors' skepticism and make it more difficult for start-ups to raise money.

A founder of Beacon, Wade Eyerly, is now at Wheels Up, which counts the tennis star Serena Williams and the sports broadcaster Erin Andrews among its members. Mr. Eyerly, Wheels Up's managing director, acknowledged that Beacon had miscalculated the demand for flights between New York and Boston.

"Beacon was a failure to execute," he said. "There's no way to sugarcoat that."

But he remains optimistic about consumers' desire for private air travel, he said. Wheels Up, he noted, is offering a range of memberships and more destinations, and it operates its own fleet through contractors. He also advised consumers to conduct thorough research before choosing a company.

"In a technology-driven world, little companies and big companies can look similar," said Mr. Eyerly, who also helped start Surf Air.

With so many competitors in the private aviation world, travelers can have difficulty telling the difference between stable and shaky companies. Mr. Schwartz, for example, said he looked into BlackJet before buying a membership, but nothing he found indicated that the company would crumble so suddenly.

"Red flags should have gone up, but they didn't," he said, adding that he should have looked deeper into the company before paying.

Those kinds of failures threaten to erode trust in the industry, said Alex Wilcox, chief executive of JetSuite, a seven-year-old jet charter company based in California with its own fleet.

"We're all going to be painted with the same brush," he said. "But I think people understand the difference between Spirit Airlines and Singapore Airlines. Hopefully, we can distinguish ourselves in the same way."

Mr. Wilcox, Mr. Eyerly and others in the industry said potential customers should look as closely as possible at a company's financial backing before paying. Talk to the executives and ask tough questions, they said, which is more easily accomplished at small start-ups.

A lot of newer companies just do not have a chance of surviving because the cost of operating jets is so high, said Sergey Petrossov, the founder and chief executive of JetSmarter, which several industry insiders said was a successful example of an aviation start-up, allows members to reserve seats on charters and other private planes using an Uber-like app. Although it allowed nonmembers to book seats until last week, only members may use the service now.

"This industry as a whole really operates in an unsophisticated way," he said. "Anyone who isn't implementing sophisticated math and yield management isn't going to survive."

Another company, Beacon, shut down this year after finding that its membership-based, all-you-can-fly model for private flights between New York and Boston was not sustainable.

14 JUNE 2016

SOURCE: THE NEW YORK TIMES

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