



The
VanAllen Group, Inc.

Shuttle Aircraft Operations – The Right Tool When It’s Needed Most

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It is time to take a hard new look at shuttle aircraft operations. A number of major factors have recently come together to make this unique business tool even more effective in its enhancement of both organizational and financial performance.

On the one hand, “people performance”, getting the most from your human resource investment, is a prime concern for every organization. On the other hand, travel expenses are a lucrative target for saving dollars. Today, more than ever before, shuttle aircraft can benefit both efforts.

Historically, business aircraft shuttles have been used in relatively specific instances. About 15% of large North American companies use a corporate shuttle, to one extent or another. That ratio is changing – dramatically. In the past, the primary value of shuttle operations came from dollar and time savings. Converging factors are combining to broaden and strengthen the benefits gained from shuttle services.

THE CONVERGING FACTORS

The first factor is: The need to travel continues to grow. Communications and information technology have not supplanted the need to “be there”. However, those technologies have improved the impact of the time spent onsite. If your company has multiple sites, highly concentrated sets of vendors or customers that require frequent visits, a shuttle operation may be in order.

Another factor: The airlines have become less useful as a business tool. They have gone through a lot of challenges since deregulation. 9/11 made the situation even worse. The net results have not been to the benefit of business travelers. Costs are up, flight frequencies are depleted, fewer seats are available, seat and baggage space have suffered, service is down, and on-time reliability continues to be a major issue.

At the same time, an emerging set of economic, organizational and service trends have come together to improve the shuttle option. The reasons are clear.

THE TANGIBLES - DOLLARS

Travel is one of the largest expenses many companies have. And as every budget-responsible manager knows, every dollar saved is an added dollar of profit. Some companies are so focused on costs that they describe their savings efforts in emotional terms, like “ferocious”. Literally, cost reductions of a few per cent are considered huge victories. A corporate shuttle can contribute even more than that.

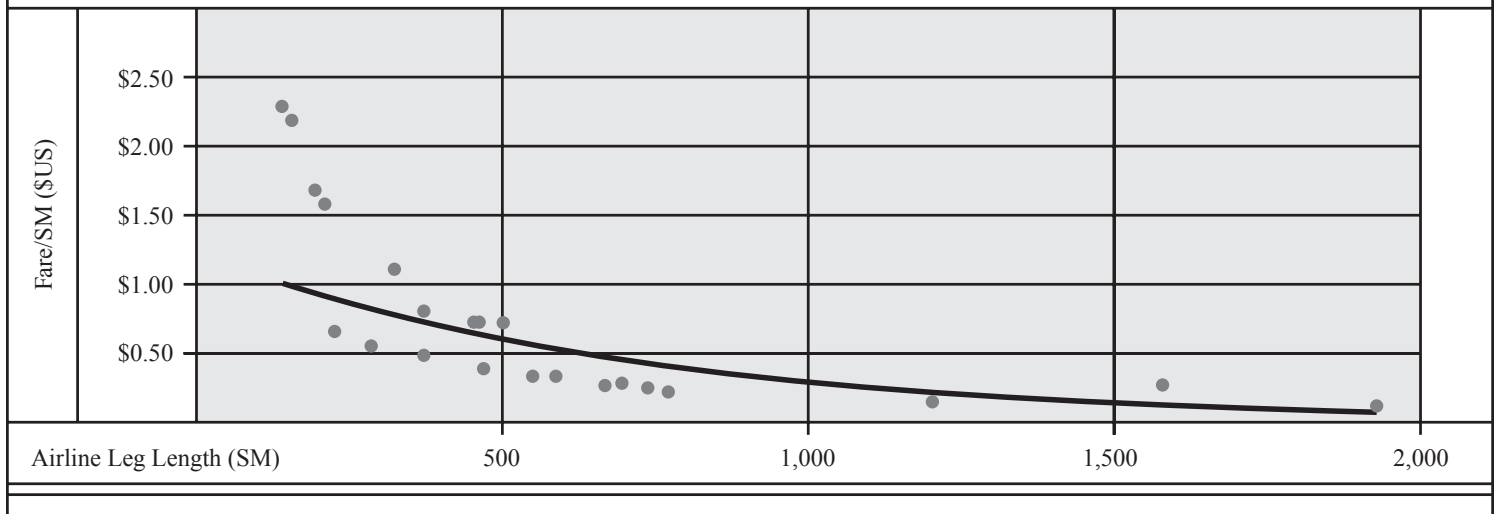
The full cost of travel far exceeds the direct ticket cost. The trip encompasses the entire door-to-door experience. Therefore, getting to the airport, parking, flying, getting to the meeting site, meals and lodging all accumulate to create the total costs involved. A corporate shuttle can significantly impact all of these important cost factors.

Even so, the airline fare is often the largest portion of trip costs. But airline costs are not linear. Airline costs are front loaded. Airline fixed (financing, hangar, staff, insurance, training.) and variable (gate fees, landing fees..) costs have an especially hard impact on shorter leg segments because they are spread over fewer miles. That is why a seat on a three hundred mile leg can cost at least as much as one on a transcontinental flight. As a result shuttles are especially financially beneficial on shorter trips (see figure on page 2).

THE TANGIBLES - TIME

Another factor in the growing value of shuttles is the quantity and quality of the time spent en route. VanAllen has conducted a number of door-to-door airline travel time analyses for companies all over North America. On direct legs, the average door-to-door time difference between travel on the airlines and a corporate shuttle is about three hours. This is easily understood when you consider the time costs associated with driving to the commercial airport, parking, checking in, going through security, getting to the gate, boarding, departure and en route delays, filing off the aircraft, trooping to baggage claim, waiting to get your baggage, schlepping your bags to the rental car counter, getting

PASSENGER AIRLINE FARE ANALYSIS (FROM ATLANTA)



As an example: for trips less than 200 statute miles, the fare charged is approx. \$2.00 per statute mile, compared to \$0.30 per statute mile for stage lengths over 600 statute miles. The trends displayed are typical of those found from any major hub city. The dollar costs are even greater from second tier and remote origins. Also, remember that the fares available for short notice trips, like most business travel, are substantially higher (20% - 150% and more).

THE TANGIBLES - TIME (CONTINUED)

your rental car and then driving away from an airport that may not be the nearest to your destination. If the airline trip leg requires a connecting leg there is at least an added hour of travel time, plus increased risks of delays and trip mishaps (baggage hassles, etc.).

By contrast, a corporate shuttle may be located closer to your point of origin, it is likely based in a less congested area causing fewer delays in getting there, parking is adjacent to the departure lounge, the check-in and security processes are a snap, boarding is quick and easy, departure delays can be rare, the seating is typically conducive to being able to work productively en route, the arrival may be at an airport much closer to your destination, and getting off the aircraft, gathering your bags and heading off to your destination are all much quicker and easier. Value of time saved: three to four, or more, hours per trip leg per passenger. Value of less stress and more time at the office and at home: priceless.

But what about the travel dollars involved? We've already demonstrated that short trips on the airlines routinely cost over \$2.00 per passenger mile. As the example shows, those costs taper down to about \$0.30 per passenger mile for distances of six to seven hundred miles.

Shuttle aircraft costs can be extremely competitive over these same distances. The new generation of shuttle jets, for instance,

can have fully loaded costs of about \$0.30 to \$0.50 per passenger mile (including full cost of ownership, all operational costs, plus market depreciation). The hidden opportunity is that the variable costs are about two-thirds of the total. Which means that once you have invested in a shuttle operation the incremental cost for each added seat mile is about a dime. That is especially meaningful if you want to expand your operations to carry more passengers or cover more routes using the same aircraft.

An added benefit is less volatility in your travel costs. For instance, if your shuttle per passenger cost is \$0.30 per mile and there is a fuel cost increase of 10% the net impact on your variable costs is about \$.005 per passenger mile (1.7%). In other words, you can be in better control of your costs when you have your own shuttle operation.

An example of the cost-benefit success of a shuttle operation is that of a major telecommunications company. Their shuttle route is along a 140 mile leg connected by an interstate highway. Their chosen economic hurdle is the IRS automobile allowance, which is currently \$0.405 per mile. Their shuttle clears that hurdle, handily. As an aside, the airline cost on that route is well over \$2.00 per passenger mile. And the door-to-door airline option actually takes longer than it does to drive. An added concern for this company is that stretch of highway is among the most dangerous in the region. So, for them, their shuttle is an economic and organizational success.

THE INTANGIBLES – PEOPLE AND PERFORMANCE

The frustration factor is a significant component of the airline experience. Frequent fliers often describe it using terms like hassle-filled and stressful. This kind of treatment detracts from your people's ability to be their most effective and productive when they arrive. In other words, today's airline travel actually reduces the value and impact of your travel investment.

In contrast, a corporate shuttle experience is almost a non-event. An added bonus is en route time is much more productive because there are no concerns about information security or overly cramped workspace. Hiring and retaining the best workforce possible is a crucial key to organizational success. Helping them to be even more effective is critical, too. A shuttle is a unique productivity tool because it lowers stress, helps reduce burnout and substantially enhances the performance of your people.

IS A SHUTTLE OPERATION RIGHT FOR YOU?

What makes a shuttle operation successful? There are a number of ingredients to consider.

1. Do you routinely move significant numbers of people among specific destinations? (*This is the most essential ingredient.*)
2. Is the airline service between those destinations poor and / or expensive?
3. Are there airport options that can serve your travelers even better than those used by the airlines?
4. Is there a two hour or more door-to-door time savings to be gained in using a shuttle?
5. Is enhanced security of personnel and information an important goal?
6. Does your organizational culture place high value in taking care of its own, its customers, and its vendors?
7. Do you want greater control over your air travel service and costs?

If you answered "Yes" to two or more of the last six questions you should seriously investigate the shuttle option.

POINTS TO PONDER IN ESTABLISHING AND RUNNING A SHUTTLE

The following are points to consider for policies and practices in establishing a successful shuttle operation.

- Get sponsorship for the shuttle initiative from top management, the travel department, and, if you have one, the aviation department.
- A shuttle can be run internally or it can be done turn-key

by a vendor.

- Many companies mandate the shuttle as primary travel choice on its routes.
- A shuttle's schedule and routing can be easily adjusted to meet changing travel patterns and peak needs.
- The shuttle aircraft and staff can be used for other applications during slack time.
- You are likely to find that you have underestimated the use and impact of the shuttle – by as much as 50% or more, according to most operators.
- If your shuttle operation is expected to exceed five hundred hours per year, seriously consider using aircraft that were originally designed for airline use. They are more durable and easier to maintain on a tight schedule.
- The new generation of shuttle aircraft is significantly more reliable, supportable and efficient than their predecessors.
- Yes, frequent flier miles are lost. The vast majority of passengers are delighted to give them up to ride on the corporate shuttle.
- The shuttle user group should be all inclusive, top down.
- Charge back fees for shuttle use should not exceed airline fare rates.
- Consider hauling high value intra-company mail and packages as an added bonus.
- Shuttle scheduling should be done through the corporate travel agency.
- Have a passenger standby clearing process that gives at least twelve hours' notice.
- Have plenty of parking and waiting area capacity.
- Be prepared for disruptions (weather and technical delays as well as cancellations).
- Refer to the NBAA Management Guide section 1.26.2, "Corporate Air Shuttle Considerations" for added ideas.

IN CLOSING

The need for business travel has never been greater. Commercial air service has become more costly and less effective. In fact, most travelers don't enjoy the airline experience. If they could walk through a portal that instantly placed them at their destination, they would. That is not yet an option. But a corporate shuttle comes as close as you can get. Not only can you save money and substantially reduce the en route time, but with a shuttle you can greatly improve the en route experience by reducing the hassle and making the time used much more productive. As one executive put it, "Our shuttle operation saves our company lots of money. But more important than that, there is no telling how many lives and marriages we have saved by not making them drive that stretch of highway day in and day out." In the end, the value of the corporate shuttle tool can be incalculable.

ABOUT PETER V. AGUR, JR.

Peter v. Agur, Jr. is the president and founder of *The VanAllen Group*, a renowned consulting firm to business aviation with expertise in strategic planning, financial management and safety assurance. An ATP and MBA, he is a member of the NBAA's Corporate Aviation Management Committee, and the Flight Safety Foundation's Corporate Advisory Committee.

He began his consulting career in 1985. He has worked on a broad spectrum of projects credited with making a substantial impact for his clients. His work has been cited in numerous national and industry periodicals, including *The Wall Street Journal*, *FORTUNE*, *Business and Commercial Aviation*, *Aviation International News*, *Professional Pilot*, and the *Business Aviation Management Journal*.

Prior to establishing *The VanAllen Group*, Pete enjoyed successful careers as:

- Founder of Aviation Management Systems, an aviation-related consulting subsidiary of a nationally recognized organization design consulting firm,
- Marketing manager and sales representative for four domestic and international airframe manufacturers,
- Instructor pilot in airline, civil, and military environments, and
- Army aviator and safety officer during the Viet Nam era.

Pete holds a Master of Business Administration (MBA) from Georgia State University and a Bachelor of Science (summa cum laude) in Aeronautical Sciences from Denver's Metropolitan State College. Pete is also a member of the Society of Aerospace Communicators and the Aviation Speakers Bureau. He is a guest lecturer and keynote speaker at universities, colleges, and industry programs. He has been a frequent contributor to *FORTUNE*, *Business Aviation Management Journal*, *Business Aviation Safety Journal*, *BusinessJet Traveler*, *Career Pilot*, and *Professional Pilot* magazines.

Pete brings to his clients an intense focus on individual and organizational success. The depth and breadth of his knowledge, and his ability to be innovative, create an extremely flexible approach for working with clients. He is uniquely able to assist client organizations in achieving highly effective results.

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