

FUTURE ROUTES

- KEY FACTS**
- Silverjet is a business class-only airline, currently flying Luton-Newark for £999.
 - Business class has always subsidised economy, so Silverjet has cut the loss-making part of the plane.
 - The airline is looking at Chicago, Johannesburg and India as potential destinations.

Silverjet began flying business class-only flights with flat beds from Luton to Newark in January for £999 return. Lawrence Hunt, chief executive of the new airline, believes he has a success on his hands, with the 100-seat Boeing 767 flying 60% full by March. 'April was an improvement on that and May and June are looking extremely strong,' he says. 'In fact we had a number of flights fully booked in May. So we are generally pretty pleased with the way that it is going.'

In July a second 767 was added to the route with a third due in November. Next March Silverjet will take delivery of two more 767s. But they will not be going on the New York run. Though understandably unwilling to go into specifics, Hunt can at least explain how Silverjet's service is targeted. 'Essentially our service is really designed around the long haul business traveller,'

he states. 'So with the investment we made in flat beds and the check-in and terminal facilities, we are looking at sectors over six hours. The aircraft in our configuration will do about a 14-hour range. Thus we have ruled out Moscow because you don't need a flat bed for a journey of just four and a half hours.'

'We have identified about 30 routes out of London where the service would work and where the existing fares are quite high,' he adds. 'There are nine cities in the US, there is the whole of the Caribbean, South Africa, the Middle East, obviously the Gulf, India, China, Japan, Singapore and South East Asia. But in terms of priorities we are currently looking at Chicago, Johannesburg and Delhi or Mumbai. Those are our options and we have not made any decisions yet.'

How does it work?
Hunt maintains that Silverjet is incredible value for money, 'a private jet-type experience for £1,000 return across the Atlantic.' Customers are

Silverjet's golden goose

➤ WHEN MOST AIRLINES CHARGE UPWARDS OF £2,000 TO CROSS THE ATLANTIC IN BUSINESS CLASS, HOW ARE LONDON LUTON-BASED SILVERJET ABLE TO FLY TO NEW YORK FOR JUST £999? CHIEF EXECUTIVE LAWRENCE HUNT TAKES NIGEL ASH THROUGH THE MATHS.





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With no economy class passengers to subsidise, Silverjet can offer business class travel for a fraction of the price.



always asking him how the airline can do it. 'The answer,' he says, 'is that if you strip all the penny-pinching economy travellers like me out of the back of the plane and you fit it out with just flat beds, you can afford to dramatically reduce the price. This is because on a 747 or a 777 or an Airbus 340 you have 50 or 60 premium passengers subsidising 350 economy passengers. Airlines typically lose money in economy because there the only thing that counts is price.'

Outlining the basic economics, Hunt says a 300-seat Boeing 767 on a London to New York round trip costs £65,000, including all operating and fixed costs, such as leasing, maintenance, crew and insurance.

'That £65,000 doesn't vary massively whether you have one passenger or 300. The only things that change dramatically are the fuel burn and the catering costs. So we strip out the 300 seats and put in 100 flat beds with a new interior. You can work out the maths. If we sell 65 seats at £1,000 per round trip, we break even. If we sell 80 seats round trip every day, we make a £5.2 million annual operating profit on that aircraft.'

Ahead of the market

Hunt maintains that none of the established carriers can challenge Silverjet on its current and future routes. He cites the example of BA. 'It makes 121% of its profits from its premium passengers,' he claims. 'For every £100 it drops the £3,400 Club Class fare to New York, it would take £27 million a year off its pre-tax profits. So they are very much caught between a rock and a hard place. Because they are so dependent on premium passengers to deliver their profits they cannot afford to start a price war. They cannot get anywhere near £1,000.'

Hunt certainly seems to have come up with a great idea at the right time and stolen a niche of the market. With Silverjet's routes expanding to other destinations, the big boys must be worried. ○