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Asia Special Report

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first thought

When customers expect the best

It follows as night follows day that if you set out to meet and exceed the expectations of the world's most sophisticated customers you are going to have to find a way of ensuring that your entire operation always delivers its A-game. Building a world-class FBO operation is a tough ask in any market and a number of CEOs we profile in this issue are masters of the art. These are businesses that other operations in many other sectors could study with profit since they specialise in the disciplines of building and sustaining top-quality customer services to a highly discriminating customer base.

Our Asia Special Report profiles some of the leading operators in this sector and provides some real insights into how this exciting market is developing. Today, most of the Asian market is all about big jets and competition at the top is fierce as all the manufacturers jockey for position. This is a space where you have to be 100% committed to succeed. As Hongkong Jet CEO Chris Buchholz comments in our profile piece, "We are going for this in a big way!" We also look at some of the structural reasons holding back the development of a light jets market (high FBO costs!) and at the prospects for the emergence of a secondary pre-owned market in Asia, with Jetcraft CEO Chad Anderson talking about his plans to capitalise on its inevitable emergence, and looking to sell pre-owned large cabin jets from Asia to the world and visa versa.

Next issue is our European Business Aviation Convention & Exhibition (EBACE) Special where we take a look at engines, completions and the precision world of MRO operations.

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airservicebasel



COVER IMAGE:
 Claudio Lasagni, Air Service Basel
 See cover story, page 4

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CEO Claudio Lasagni talks to Anthony Harrington

Air Service Basel

Q: Launching a new FBO facility is always a major enterprise. What led you to think of positioning Air Service Basel as a full service FBO?

A: The original Air Service Basel was formed back in 1967 as a general aviation company with the aim of supporting Cessna's prop plane development and maintenance in Switzerland. From maintenance, it developed into being a small handling operation largely for private aircraft up to King Air and Citation size. Then it was bought by Farnair who took the company over largely because they were looking for their own maintenance shop. I headed up a management buyout of the company at the end of 2003. At that point I was in the number two slot at Farnair and I could see that the company had tremendous potential, given its location at Euro Airport Basel-Mulhouse-Freiburg, right at the junction of three countries, Switzerland, Germany and France. I had

a very clear vision of where I wanted to take the organisation, which was to develop the company in the direction of being a world-class FBO and a full-service organisation for business jets. At the time of the MBO the company was completely focused on turbo props and prop planes.

Q: What were the facilities like when you took them over?

A: There was a maintenance shop that was well set up for turbo props but it was clear that there was going to have to be a very substantial investment in a redevelopment of the facilities and of course we needed a state-of-the-art administration block for the FBO itself. At the time we were still on the old part of the airport which was formed in the late 1940s, just after the close of World War II. Our plan at the time, which we agreed with the airport authorities, was to build new administration buildings and

We decided from the outset that we would be a full-service FBO, and that everything that made financial sense for us to offer, we would do in-house

a very substantial hangarage and apron on the new development zone of the airport, which was clearly designated as development space on the airport master plan.

Q: This was a very bold vision, requiring a substantial amount of funding. Was funding easy to come by?

A: We were very fortunate in being supported from the outset by an excellent investor base. This was a private placement and the sums were undisclosed, but they were substantial. The major investor was a long-term client of mine whom I knew very well, and who could clearly see the potential of the location. Because this was a greenfield site, we were able to take a view of exactly what services we wanted to offer in order to make our FBO a hugely attractive proposition to both operators and business jet owners. We decided from the outset that we would be a full-service FBO, and



that everything that made financial sense for us to offer, we would do in-house. So, for example, we provide all the ramp services, including fuelling, cleaning of the aircraft and so on. The exceptions are catering and de-icing.

Catering we outsource to the local hotels, and such is the relationship that we have with our suppliers that I can have a gourmet meal delivered to the aircraft for in-flight dining a very short time after receiving a request for catering. De-icing is a specialist operation requiring expensive machinery and it wouldn't make sense for an FBO

of our size to invest in such a piece of equipment. So we contract that out to a specialist company who can spread the cost across a large number of customers.

One of our really strong plus points, which helps to win us a great deal of business, is the large hangar space that we can offer. We have nearly 7,500 square metres of hangar space and we offer parking for long, medium and short-term stays. We can accommodate aircraft up to the Airbus A320s and Boeing Business Jets (BBJs). We also still have a thriving maintenance operation, focussing mainly on King Airs, the smaller Gulfstreams and the smaller Hawker Beechcraft jets. These are the mainstay of our maintenance business, but we also do a range of other aircraft. We run a highly capable avionics department and do upgrades, modifications and repairs for clients. We specialise in making flight data analysis systems and cockpit analysers for a number of smaller airlines. We are a full FAA approved and



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IATA approved maintenance house with what the Americans call a 'Foreign Repair Station Certificate'. We have a good many customers who park their jets here more or less permanently and a lot of calling customers coming into Basel.

This brings us back to the strength of this particular location. Basel is virtually the centre of the pharmaceuticals industry in Europe and on top of this you have tremendous tourist attractions in the area, with easy access by road to France, Germany and Switzerland, so clients come in for that. We are very close to the Black Forest and to the Alsace region and we are not far from our own mountains either. A half hour or hour's drive will take you to many of the famous ski resorts in the region.

Basel is also famous for its fairs. There is the big watch and jewellery fair and the famous 'Art Basel' Fair in June which attracts people from all over the world. So the whole set-up is very interesting for both business and leisure flying. The other really great thing about Basel is that it is a slot-free airport and in addition we have a relatively easy line of communication to the authorities here which makes it a relatively easy FBO to run.

We have excellent parking facilities at our FBO if they are being collected by business partners. We also have a small fleet of limousines so we can take them on to wherever they want to go. Our fees are not cheap, but they are bearable, I would say, unlike fees at some of the other FBOs in Switzerland and the neighbouring regions, particularly Zurich. That said, Zurich itself is only 83 kilometres away by car so it is very easy for



owners to decide to base their jets with us here in Basel rather than in Zurich, which is crowded with commercial passenger aircraft and has actually little interest in business aviation. Their main interest as an airport is filling their duty free shops with passengers!

Q: How does your customer base split between owners and operators?

A: We cater for around 1,000 flights a year and they split about 50-50 between owners and operators with perhaps the trend going towards greater use by owners than operators. We have very comprehensive facilities here for crews and a very comfortable flight lounge for passengers. It is free for crews to freshen up here, shower and do flight preparation and they have free private parking, which is very unusual. We now have some 29 people in full-time employment here and a reserve part time staff of six ladies who help us manage peak work loads.

Q: Are most of the visiting jets originating in Europe? How much international traffic do you see?

A: We are seeing strong traffic volumes now from emerging markets, definitely more than in prior years and it seems to be picking up all the time. We have a lot more jets visiting Basel out of Russia and the CIS and a good number from China and India. Their top corporations are definitely on something of a buying spree in Europe, looking to add to their portfolios or to form joint venture operations so most of these flights are business orientated rather than leisure. In fact the traffic volumes from emerging markets has become so interesting that I am now considering developing our organisation by opening up a second FBO in an emerging market. However, this is very much an idea that is still on the drawing board and we will do a great deal of research first and have a very solid proposition to put to our investors before we go down this road. If I get the chance to expand into new markets, where business aviation is starting to take off in earnest, I will certainly grab that chance!

Q: Where do you see Air Service Basel in a few years. Do you have ambitions to become an organisation on the scale of a Signature Flight Support, for example?

A: No, not at all. My intention is to grow but to keep the organisation very contained so that we can continue to focus on premium quality. I like to say that we sell Swiss quality service here. We are not the cheapest FBO but we operate to a very high standard and that gives clients a good feeling of confidence. We do what is really needed and wanted by our clients, be they owners or operators. That, to me, is the key to success in this business. ●



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Brightening skies for charter

By Anthony Harrington

After a dismal 2012 for many operators in the charter sector, much is expected from 2013. Richard Koe, one of the two founding directors of the aviation market consultancy WingX, says that while there was a general consensus that 2012 saw some recovery in the market, at least for demand for large cabin jets, the charter market stayed flat. "Revenue is definitely in the red for many charter companies across Europe," he notes.

Where there were bright spots, with demand holding up better than the average, they tended to be in some of the Eastern European markets, and of course the UK saw a substantial bounce in charter activity over

the Olympics through July 2012. Turkey too, did well enough, Koe observes. But the really big European markets, France, Germany, Spain and in particular, Italy, spent most of 2012 losing ground in terms of year-on-year business – and 2011 was not a particularly great year either.

"The big question now is, is this a slide that is going to continue through 2013? We saw European charter business contract by 5% in November by comparison with November 2011, and this was on top of the 3% drop in October, by comparison with October 2011. So in terms of the figures we have so far, we are still looking for the sector to bottom out and start showing some growth again," Koe says.

While it is going to need some improvement in macroeconomic conditions for the sector to see brightening skies again, Koe argues that there is much that the business aviation charter market could do to help itself. For a start, the sector is in desperate need of consolidation. Too many players came into the market during the boom years and now there is not enough business for everyone to remain both competitive and healthy. "Consolidation among the charter operators would go a long way to sorting out the sector's problems," Koe says. End users would be the ultimate winners if the sector did consolidate, since prices in the sector are high simply because overheads in the sector for small operators are high. They can't benefit from the economies of

scale that would be available to a handful of larger players, he suggests.

Right now though, Koe sees little sign of any coming large-scale consolidation in the sector. Instead many operators are eking out their days supplementing whatever charter business they can get by running concierge services for individual jet owners. "In the medium term a pure concierge play, backed with some charter activity, is not a sustainable business model. The long-term future for a charter company has to lie beyond simply managing aircraft," Koe points out.

He and his partner at WingX are committed to gathering and analysing the data required to determine useage and other trends in the sector. "The reason that we set this consultancy up is that we found a serious lack of objective data in the sector. This is almost a black box industry and this is because data analysis was not historically considered as being of sufficient value in this market to warrant any organisation putting in a serious amount of time in data analysis. However, as the industry professionalises, there is a growing awareness that good data matters," he says.

David Macdonald, the Director of Private Jet Sales at charter broker Air Partner, is far less gloomy about the prospects for the business aviation sector. "Our private jets division saw an 8% growth in revenue for the financial year ending 31 July 2012 and a 9% increase in JetCard sales. We expect the private aviation market to continue growing in 2013, particularly amongst corporate users where we have seen significant levels of interest," he says. Macdonald points out that the investment bank JP Morgan also released a paper recently anticipating a growth of 8% in business jet deliveries for 2013.

"As business jet deliveries increase, so too will the number of individuals and corporates choosing charter or card solutions," he says. Macdonald believes that even if the overall market does not expand much, the charter market can win business away from fractional ownership models, despite the huge orders for new planes placed by both Netjets and Vistajet. He argues that the charter solution does not commit corporates or high net worth

individuals to taking a significant stake in a depreciating asset, and this is a huge plus in its favour.

Charter is the ultimate in flexibility, he argues, with the assurance that the aircraft chosen can always be correctly sized for the requirement. "Large corporates which previously purchased a long-term fractional share or indeed, whole aircraft, are now buying blocks of jet time, which limits their exposure to future market dynamics and ensures a better return on investment," Macdonald believes. ●

We expect the private aviation market to continue growing in 2013, particularly amongst corporate users where we have seen significant levels of interest

David Macdonald, Director of Private Sales, Air Partner



Why remanufacturing WORKS



Anthony Harrington talks to Nextant CEO Kenneth Ricci

As 2012 came to a close it was clear that Nextant Aerospace CEO Kenneth Ricci's idea of remanufacturing Beechcraft 400A jets to produce a lower cost, competitive alternative to today's light jets, is going to do rather well for the company. Nextant closed 2012 with 29 sales of its 400XT, just four sales away from the magic break-even number of 33, according to Ricci, and with more orders coming in all the time. Moreover, as yet Nextant has not even skimmed the surface of the 600 or so Beechcraft jets still out there, and a fair number of these are on the market at any one time.

Things seem to just keep getting better for Ricci and Nextant, despite the uncertain economic environment. Not only are US sales going well, the 400XT is attracting attention globally, with three already ordered in Europe and the company's latest order went to South Africa, courtesy of a dealer that Nextant had only just signed up. "I guess we underestimated the extent to which the

400XT would generate global interest as opposed to simply US interest," Ricci admits. In fact one of his New Year resolutions is to ensure that Nextant does everything it can to improve its brand visibility in Europe in 2013. "We're now pretty well known coast to coast in the United States, but we need to capitalise on the attention we are starting to get from Europe," he says.

So what led Ricci to conceive of remanufacturing Beechcraft 400A jets? How did it all come about? "We owned a maintenance company that we retained after we sold our FBO business. It was a good business but it is very hard to differentiate yourself significantly as a maintenance shop. You are doing what everyone else does and I always look for something that will give me a unique edge in a business," he explains. Casting around for that "edge" Ricci moved into upgrading analogue gauges to digital gauges. It was a good line of business but it quickly dawned on him that you could remodel more than just the gauges. Why not find an aircraft that already had a significant production run and that had an inherent

deficiency which you could address at a cost that would still allow you to bring the remodelled jet to market cheaper than a new, equivalent jet, but with at least as many desirable features?

That, in a nutshell, is Nextant's business model and it has proved to be gem-like. However, executing on this game plan has taken patience, tenacity, great management skills and excellent engineering know-how. In particular, Ricci has had to be prepared to dig deeper on the funding front than he had ever anticipated.

The groundwork for the initial idea was done in 2007 but it took the company till October 2011 for the FAA certification on the 400XT to come through – and the whole exercise took far more cash to resource than Ricci and his partners had anticipated. "The FAA had not had to look at the idea of carrying out a sustained and extensive remanufacturing of an existing jet type before, so this was all very new for them, as it was for us. Originally I had thought that it would cost around \$3 million to take the 400XT through the certification stage. However,



plane's non-stop range, has enabled Nextant to create a very appealing product.

Ricci was also in the fortunate position of being able to fund the remanufacturing certification process and the new Nextant business entirely through its parent company, Directional Aviation Capital, where Ricci is the Principal. "One of the delights of this business is that we have never had to sit down in front of a bunch of bankers to try and interest them in funding our business. We do it all on our own balance sheet at Directional and that gives us considerable freedom of scope. Now that we are nearing break even, things are looking very good indeed for 2013," he says.

So what is involved in the remanufacturing of the Beechcraft 400? After a thorough examination of the airframe, which is not life limited by the FAA, all the life limited components and systems are replaced and all items listed in the Airworthiness Limitations Manual are returned to zero-time status. The engines are swapped for the Williams FJ44-3AP, which is both more fuel-efficient and lighter than the plane's original JT15D-5 engines. The Williams fuel burn per nautical mile is 32% better, Nextant claims, and the Full Authority Digital Engine Controls (FADEC) eliminate the need for a thrust reverser,

adding to the weight savings and improving operational reliability. Maintenance costs are also 27% lower than the original engine and the overhaul interval moves out by 400 hours. Another bonus is the fact that the Williams engine is significantly quieter, allowing Nextant to have the 400XT certified to Category IV noise compliance regulations. Ricci is also able to claim that the FJ44-3AP is "greener" than the JT15D-5, since it produces less greenhouse gasses.

At present US buyers are still somewhat blind to green issues, or at the very least, these issues do not rank at the top of their wish list when contemplating a business jet purchase. But greener engines are already a key selling point in Europe and will be increasingly important in the US. Then there is the all-important matter of the 400XT's additional range. Where the Beechcraft had a range of 1,333 nm, with the mythical full complement of four passengers, the 400XT claims a fraction over 2,000 miles, bringing many more airports within range in the US, and opening up more city pairs as far as European travellers are concerned.

Part of the reason for this additional range comes from the fact that when Nextant carried out computational fluid dynamics (CFD) studies on the Beechcraft, these showed a wave pressure

I always like to err on the side of caution so I doubled that to \$6 million as an estimate. My partner was more pessimistic. He said, "Double it again", so we pencilled in \$12 million as the cost of certification," Ricci remembers.

In reality they could have doubled again and still been short. The actual cost was just a smidge away from \$30 million. "If I'd known at the time that it would cost \$30 million would I still have done it? Probably not, but now I'm glad we did," he jokes. With each 400XT selling at \$3.975 million for the base price, and with most clients adding enough options to take the average sale price to \$4.4 million, Nextant's expenditure is being repaid in fairly hefty chunks. Even at \$4.4 million though, the 400XT is still coming in well under the cost of a new light jet in its class. This lower price tag, together with a host of improvements, plus significantly lower running costs than other jets in its class and an extended reach that brings more airports within the



build up generating excessive drag between the original engine nacelles and the fuselage at normal cruise speeds. This was eliminated through a complete redesign of the engine cowlings and pylons. A small additional range bonus comes from one of the options, the Shark Winglets, which Nextant is getting certification for and which will be retrofitted to all the already built 400XTs as an after-sales service. The winglets add a further 3% improvement to performance. On the standard 400XT the Beechcraft avionics are upgraded to the Rockwell Collins ProLine 21 system, which ensures that the aircraft will be ready for future NextGen airspace requirements.

The 400XT has a completely remodelled interior along with a wish list of 20 standardised options that include the Rockwell Collins Venue cabin management system. Ricci has deliberately standardised everything, including the options list. As an owner, you get to pick as you please from that list of 20, but that's all you get. There is no bespoke work available outside the list. Would that change if you threw enough money at it? Possibly, but the whole point of the way Nextant has gone about things is to capitalise on the benefits of standardisation.

Ricci and his team have put at least as much thought into the build process as into the improvements made to the Beechcraft. When they were upgrading their supply chain to enable a rapid build out response to orders, it became clear that there was simply not enough space in the hanger that they had started their operations in. So they acquired much larger premises on the other side of Cuyahoga County Airport. This has enabled Ricci to design a cell-based assembly manufacturing shop that will allow up to six 400XTs to be built simultaneously. The airframe assembly will take place outside the build shop and the airframe will then be wheeled into its appropriate cell in the new premises, where it will have a complete new wiring harness fitted, plus the avionics and interior design. Once this phase is complete the plane goes to the completions hanger to have its interior finished to the client's specifications.

The new premises are also large enough for Nextant to consider adding its own paint shop instead of having the 400XTs painted by third-party specialists. "Clients like to choose their own design for painting and it makes sense for us to enable them to come to our site to view the

various options. Having our own paint shop will also give us far more control of the processes and the timing. It's a real bottleneck for us at present. And if the customer is behind in picking what he wants, then you can lose your allocated slot in the paint shop," he says.

The complete remanufacture and build process takes up to eight weeks from the time the airframe is rolled into a cell. However, the 400XT is generating a healthy level of demand so a new customer signing up at the end of December 2012 would expect to wait until July 2013 for completion. As Ricci points out, this is still a good turnaround for the business aviation sector. Build-on-sale is a well established practice across the business aviation sector, since most manufacturers cannot afford to have completed aircraft sitting around waiting for someone to buy them.



Pilot training for the 400XT is carried out on a special-purpose Nextant 400XT flight simulator run by CAE SimuFlite in Dallas. Nextant provides training on the 400XT for two pilots as part of the purchase price. The simulator is designed to take pilots to full certification on the aircraft, and CAE provides a dedicated, 400XT level D full-flight simulator. Trainees have the option of additional type-training on the new engines and the Proline cockpit. "You can literally complete all the XT qualifications with SimuFlite," Ricci says.

So what's next for Nextant, apart from the obvious plan of going as deeply into the stock of Beechcraft 400As as possible? Clearly, the logical next step in the game plan is to look for other candidates for the Nextant remanufacturing treatment. "We have basically three criteria for judging whether an aircraft is suitable for our remanufacturing process. First, it needs some inherent weakness. Second, you need a decent production run. Unless there has been at least 300 to 400 instances of the plane built, why bother? The third point of course is that you have

to be able to build it for considerably less than the client would have to spend on an equivalent jet," he comments. In fact the 400XT comes in at half the price of a Citation CJ3, which also has Williams FJ44 engines, and it is also half the price of a Phenom 300.

At Nextant's press briefing at the annual NBAA Convention in October 2012 Ricci was asked if he had identified any other likely candidates for his remanufacturing process. His answer was that Nextant has identified at least four other candidates. Although he declined to name them, the assembled journalists immediately began calling out their guesses. The Falcon 50 quickly emerged as a likely candidate, as did the Hawker 800. The aim here would be to ensure that a remodelled, remanufactured Hawker would be competitive with Cessna's Citation Latitude, which



If I'd known at the time that it would cost \$30 million would I still have done it? Probably not, but now I'm glad we did
 Kenneth Ricci, CEO

has a purchase price of \$14 million or so, new. Ricci says that Nextant would aim to bring such a plane to market at around \$8 million.

With all the technical skills Nextant is building up through its remanufacturing business, it is a relatively short step from where it is now to moving on to design its own business jet. However, Ricci points out that spending \$30 million for a certification process is one thing, spending \$600 million to get a brand new jet design through the certification process is something completely different. For now, his chosen business model is working well. There is a clear road ahead and sales are growing. It may be a niche business, but it's a very healthy niche business. Nextant's story has clearly only just begun... ●

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• Basel

Hongkong Jet - Going for scale

By Anthony Harrington

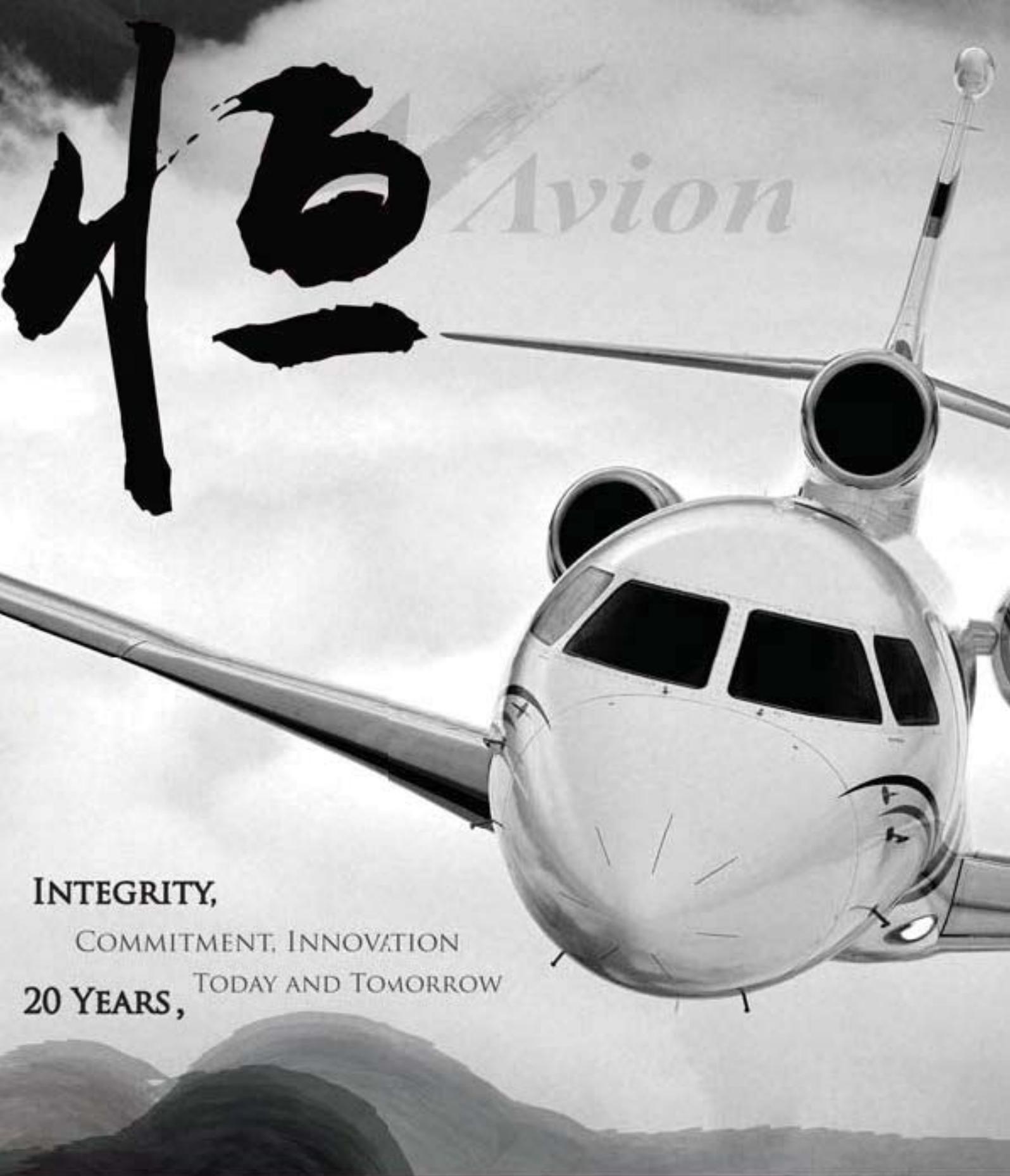
Hongkong Jet operates on a grand scale by comparison with other Chinese and Asian recent arrivals on the business aviation scene. Not many business aviation companies in China, or indeed, in Asia, could add ten aircraft in ten weeks to their portfolio, including a Gulfstream 550 and a Gulfstream G-IV. The expansion of the company's fleet of aircraft is particularly impressive when one remembers that it was only granted its Air Operator's Certificate (AOC) by the Hong Kong Civil Aviation Department some 16 months ago, in November 2011. But then Hongkong Jet has the good fortune to be a wholly owned subsidiary of the HNA Group, which has assets in excess of 68 billion Renminbi and has been nominated as the Fortune 500 Enterprise of China for the last six years.

As Hongkong Jet CEO Chris Buchholz notes, HNA is a highly experienced player in China's commercial aviation industry as well as being a well diversified group, with interests in real estate, retail, tourism, hotel and airport management and container leasing. The Group includes over a dozen aviation companies and operates over 300 aircraft. Its businesses include airlines, cargo and business jet operators. "Business aviation is a relatively small part of the HNA Group, but the Group Board is highly committed to developing business aviation in China and the Board has provided the funding to make Hongkong Jet a premier operator, charter company and MRO services provider in the region," Buchholz says.

"We are really going for this in a big way! HNA is the largest non-government owned aviation group in China and it has been very supportive in helping us to secure the best international team of aviation and engineering experts anywhere in the region," he adds.

The aim has been to put together a top international team to support an international business model, headquartered in Hong Kong. The HNA Group is very keen to internationalise its operations and has been acquiring businesses based outside of Asia. It bought a 48% stake in the French Airline Aigle Azure for a reported \$40 million in October 2012, but this transaction pales against the \$1.2 billion HNA paid when it acquired the marine container-leasing company GE SeaCo from General Electric at the end of 2011. The Group also recently invested in MyCargo and MyTechnic, an MRO based in Turkey. The HNA Group is now one of China's largest conglomerates.





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The way in which all this connects to Hongkong Jet, Buchholz says, can be seen from the fact that a little over a year ago, the HNA Group moved its international headquarters from mainland China to Hong Kong. "As a halfway house between China and the world, Hong Kong is seen by the top mainland China companies as an ideal platform for expansion overseas. Hong Kong is still governed by English Common Law and is very much a piece of the West on the doorstep of China. Although we are only a small part of a large conglomerate, the Group is very passionate about business aviation and is keen to attract the best talent in the world to turn its ambitions into reality. Business aviation is tremendously exciting to the Group because of the role general aviation can and will play in promoting economic development across the region," Buchholz says.

As Hongkong Jet has already proven with the team it has managed to assemble in a relatively short time-frame, one of the great advantages of Hong Kong is its status as one of the world's most fascinating cities. This makes it very easy for ambitious Hong Kong-based companies to attract top Western talent. "Hongkong Jet is not just about our operations here. We have aircraft based right across Asia, but the Hong Kong brand is a tremendous draw card. By naming the company after the city we have committed ourselves to ensuring that we provide a service that encapsulates the best of the West and the East combined. So we have world class safety standards that we adhere to, and a commitment to service that is in the best Asian traditions," he adds.

This is not just market speak. As Buchholz notes, if you travel first class on one of the top

Asian airlines and compare that experience to travelling first class on many of the mainstream US airlines the experience is as different as night and day. "Asian clients do not mind paying more for the highest standards of service, but having paid, they expect the very best," Buchholz notes.

When people buy a jet in Asia it will generally be their first jet, since the history of business aviation in Asia is still in its infancy. "Their experience prior to buying their own jet is the first class service they have received on Asian airlines and they expect the service they get from their jet operator to be better than they received from a commercial airline and more personal. So the bar for service is set very high. That suits us because business aviation is a very personal business," he says. Typically an Asian jet owner will not want to spend time in an FBO lounge. They expect to be able to arrive five minutes before the plane's departure. But for the brief time they are there in the FBO they expect everything to be a five-star service, including baggage handling and the quality of service on the ramp.

Given the commitment to provide the highest quality of service at all times, aircrews are naturally a vital ingredient in Hongkong Jet's approach to building and sustaining the relationship with the customer. "They see the clients more frequently than our sales and management teams and they act as ambassadors for Hongkong Jet. Clearly, piloting is one skill and client relationship management is a different skill set entirely but we are not interested in simply flying the airplane well. When we recruit, of course we put the pilot into the simulator to check their skills and we test their references. For first officers we look for pilots with significant command time

behind them, people who have had the rank of captain before. They will become captains again when the time is right, and for a lead captain we look for a lot more. We look for that extra special something, for people who like being part of a successful team. When we manage airplanes for our clients we have a dedicated crew who only fly airplanes for that particular corporation or that particular jet owner. We instill in our aircrews the business principles of Hongkong Jet," he says.

To ensure that air crews stay fully committed even during stretches when the jet is not flying, Hongkong Jet ensures that pilots take on additional roles in their non-flying hours. "They get involved in the ownership of the entire operation – so they have an accounts management role, they will see all the invoicing that goes to the client. They will schedule the maintenance on the aircraft and so on," Buchholz considers. That way if the client has a trip planned over a period when maintenance is due, the pilot can ensure that the maintenance can be slightly brought forward so the client is not inconvenienced. "We like to keep our pilots very active even when they are not flying. That way they become much better communicators with the client and they are much happier as part of the Hongkong Jet team," he says. Typically, the company will have three pilots per aircraft under management and it currently has over 30 pilots on its staff.

Hongkong Jet operates charter services as well as managing aircraft for clients. However, as Buchholz points out, in Asia only a very small percentage of jet owners put their aircraft into the hands of charter companies. "Because this is the first jet for many buyers, they regard it as a very personal thing. It is the equivalent



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of their home office and the only people they want to share it with are their invited guests," he says. This means that Hongkong Jet has had to have its own aircraft for its charter business. According to Buchholz, demand for charter is growing strongly across Asia as companies increasingly look to do business in areas that are not well served by charter, or easily served by scheduled airlines. Even where a city pair has a commercial airline flying between the cities, senior executives often prefer the privacy and convenience of charter.

One of the problems in Asia, of course, is the lack of any equivalent infrastructure to that enjoyed by jet owners in the United States or Europe. "In the Greater Los Angeles area, for example, you have nine business aviation airports to choose from. In Beijing there is just Beijing International Airport. This poses a variety of challenges for operators. First, because of fuel protectionism across some parts of Asia there is insufficient competition to hold fuel prices down. Moreover, in Mainland China for example, the FBO operator will themselves not be able to make a profit on fuel services, so this leaves FBO owners with little choice other than to charge heavily for those services that are under their control. While this level of cost may be bearable for an owner of a Gulfstream 550

We like to keep our pilots very active even when they are not flying. That way they become much better communicators with the client

Chris Buchholz, CEO

or 650, the costs would be far too high for, say, the owner of a light jet. "This is one of the major reasons blocking the development of a light jet market in Asia," Buchholz says. "There is plenty of latent demand out there, more than enough entrepreneurs doing regional trips of under 2,000 kilometres who would want to own a light jet. But you buy a light jet because it has a lower entry price that fits your budget and you expect a certain level of running cost. FBO charges in China and much of Asia would weigh far too heavily on a light jet owner for small jets to be viable with the business aviation infrastructure that we have here at present," he suggests.

There are also issues with slots. "Beijing is a very busy airport and while you will get a slot, it may well not be the slot that you wanted and asked for. This creates logistical issues for operators and owners and it is something that we work to minimise," he says. However, Buchholz emphasises that Hongkong Jet is now very much

regarded as a member of the airport community at Beijing and other Chinese airports as well as at Hong Kong. Another point is that hangar space is extremely scarce at Beijing Airport and indeed, across China, and is also an issue in Hong Kong. "There are only three jet hangars in Hong Kong and they are all full. There are more than 70 jets based in Hong Kong so the vast majority of these are parked outside on the apron," he says.

This immediately creates a cleaning problem. "In Hong Kong we never have freezing weather, so ice is not a problem, but northern China is very dusty and most of China does have freezing weather in winter. When the dust mixes with some of the pollutants aircraft can get dirty very quickly. So top quality cleaning services are vitally important," Buchholz continues. When an owner brings his business friends and acquaintances to see his or her jet they would lose face enormously if the jet were grimy. Hong Kong Jet has very sizeable cleaning teams and spends a lot of time buffing the leading edges and keeping the aircraft looking good. "We have a mobile cleaning team here with their own generator to drive buffing tools so we can polish the leading edges at remote parking bays. We make sure that owners are able to feel good about their aircraft so that they can be relaxed and productive on their flight," he concludes. ●





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MetroJet expands

A conversation with Hong Kong-based Metrojet CEO Björn Näf

Q: Metrojet recently signed a joint venture agreement with Taj Air, part of the Tata Group, to establish Taj Air Metrojet Aviation in India. How did this come about and how does the move into India fit with Metrojet's strategic objectives?

A: There is a longstanding relationship between the owners of Metrojet, the Kadoorie family, and the Tata family who owns Taj Air – a Tata Group company. With the families' heritage, expertise and passion for aviation, it is a natural and ideal opportunity for a joint venture to be formed.

The Indian market is very different from the markets in Hong Kong and Greater China in terms of needs, culture and environment. But it is certainly an attractive market, with business aviation set to grow strongly over the next decade. With the knowledge and relationships that we have developed in the business aviation field over the past 16 years, it is time for Metrojet to expand our footprint in Asia and to share best practices with industry professionals and partners. We were the first company to start an engineering and maintenance operation specifically for business aviation in Greater China. Along with Taj Air's local expertise and cultural knowledge, I am confident that we will build the best MRO in India.

Q: Taj Air offers charter services, as do you out of Hong Kong and China, so how will you

Competition is just a healthy fact of life in all fields of business aviation. It is about managing the challenges associated with growth without sacrificing an iota of quality



Hong Kong-based, but we also have China and overseas-based clients who value the service and quality that Metrojet offers.

Q: How do you rate your competition in Hong Kong?

A: Competition is just a healthy fact of life in all fields of business aviation. It is about managing the challenges associated with growth without sacrificing an iota of quality. Ten years ago there were only a handful of business aviation companies in Hong Kong. Today, I am seeing companies of various sizes aggressively establishing their presence in Asia. However, challenges such as the lack of infrastructure and shortage of talents catering to the rapid demand in business aviation often undermine their efforts. It is also not easy for a newcomer to overtake the heritage and service quality that Metrojet has developed over the course of nearly two decades. The reputation of the Kadoorie

resolve who does what in the new alliance?

A: In phase one, we are focusing on aircraft maintenance. Aircraft management will come into play in phase two, then aircraft charter to follow. Aircraft maintenance is more technical and sophisticated; hence it is important to develop a strong MRO. We have obtained various qualifications and authority approvals, such as the only Rolls-Royce authorised service centre in Asia for selected engine types, which is a

tremendous advantage to us. I'm sure our Indian partner will find our certifications, qualifications and authority approvals to be invaluable to the success of our joint venture.

Q: How many aircraft do you have under management in your own operation?

A: We are currently managing 31 aircraft, which is nearly half of the total number of business jets in Hong Kong. Our clients are mostly



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brand name already equates to quality and excellence. Our close relationship with our sister company – The Peninsula Hotels – is certainly irreplaceable. Clients have high expectations concerning the services that an operator can offer. It takes a sustained effort to stay in close contact with clients on their expectations and requirements with respect to operating their business jet. From flight operations to maintenance to aircraft management, our team of professionals are well trained to provide expert advice and support. Hence I am very confident that Metrojet will continue to grow and be the leader in the business aviation field in Asia.

Q: China and Asia is still an emerging market as far as business aviation is concerned. How do you rate it against the US market?

A: At the start of 2013 there were perhaps 350 business aviation aircraft in Greater China. By comparison, if the US turned over 5% of its market every year, that would be 700 new aircraft delivered to the market. For Greater China, that would be the equivalent of at least five years of growth. The Asia market for business aviation

gets over-hyped a lot by people who do not understand this market. We are very much here for the long haul. We look to increase the value of aircraft with our maintenance and engineering capabilities, and that is a competitive advantage in Asia.

Q: How do you see the future for Metrojet?

A: Our footprint is in Asia. We have developed a network of relationships here – a network of friends – and that positions us at the forefront of supporting a growing industry with highly professional standards. I have been in the airline industry from the cockpit to the board room for a combined of 22 years. I am very confident in our business model – we take the private banking approach – a tailored solution to suit particular needs of particular clients. We also work hard to see that this comes together with an excellent safety management system. The future outlook for Metrojet is very positive. We will continue to deliver service, business and operational excellence, and we will be the best business aviation company in Asia. ●

The Asia market for business aviation gets over-hyped a lot by people who do not understand this market

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Jetcraft anticipates the growth of the pre-owned market in Asia



Jetcraft has been in the new and pre-owned jet broking business for some 50 years. Having built up a solid base in the US, with customers in Europe and Latin America and now with business starting to come in from Asia, Jetcraft CEO Chad Anderson is laying plans to capitalise on the inevitable appearance of a pre-owned market in Asia. "Few would dispute that Asia is one of the hottest markets for sales of new long-range/large cabin business aircraft. Our sales figures for 2011 and 2012 more than bear this out. We've been selling new and pre-owned into Asia for some time now and while the vast majority of orders are for new jets, about 10% to 20% of what we sell is good pre-owned," he says.

The major reason driving the pre-owned market at present in Indonesia and Asia generally is not that high net worth

individuals have come around to a really positive view of the pre-owned market. New is still regarded as vastly superior. However, the lead times from the major manufacturers are too much for some buyers to tolerate. "As demand picks up after the flat times, we are seeing lead times on large cabin aircraft getting longer and longer. That has been a definite trend in the last 12 months, so if you are interested in the large cabin category pre-owned naturally comes into consideration," Anderson says. It is simply logical to foresee a vigorous pre-owned market starting up as aircraft warranties start to expire over the next few years. "We see the opportunity as twofold. You can sell new and pre-owned aircraft into the region, but you will also shortly be able to sell pre-owned aircraft from Asia into the global market," he comments.

There is some slight financial advantage in

selling pre-owned back into the China market, since the process and expense that goes with gaining a Chinese registration for a plane can create a small premium on the sales price. However, for the most part, aircraft coming on the market in China are quickly sold into the global client base. China may, within a relatively short timeframe of ten years or so, build its own business jets. The State-owned Commercial Aircraft Corporation, Comac, is said to be developing a regional jet to compete with planes made by Embraer and Bombardier. "The idea of China building its own jet is interesting but you have to allow a fairly extensive timeframe for this. The challenges involved in bringing a new business jet to market and getting it through the certification process are very steep. Succeeding here requires a tremendous amount of time and experience, Anderson says.

So how far off does he think a mid-sized jet market is for China? There is no doubt that mid-sized jets make a lot of sense in some parts of Asia, particularly South East Asia. But the crunch point for mid-sized jets as things currently stand is that if you look at the key routes, none of them are mid-sized jet routes. The distances involved are well outside the range of mid-sized aircraft. "Over time, I am sure it will develop as people want to fly between tertiary and second-tier cities that are not well served by commercial airlines. The obstacles, however, are formidable and they are more severe when you talk about airspace issues than about the lack of ground-based facilities like FBOs at regional airports," he comments.

Jetcraft started Jetcraft Asia two years ago, headquartered in Hong Kong. The company hired David Dixon, a former Regional Vice-President of Bombardier Business Aircraft



Few would dispute that Asia is one of the hottest markets for sales of new long range/large cabin business aircraft

Chad Anderson, CEO

and a man with three decades of experience of the Asia market, to be President of its Asia operations. Dixon points out that the main city pairs in China are actually very well served both in terms of quality and frequency of flights, by the mainstream commercial airlines, and since the majority of business inside China is transacted between companies located in the tier one cities, this takes away some of the momentum for companies to buy their own business jets. At the same time the infrastructure for business aviation between tier one and tier two or tier three cities, where some of the suppliers are located, is woeful at



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present. This too holds back the development of a corporate dimension to business aviation in China. Inter-country flying has another and different set of obstacles to overcome. There are difficult border issues between China and Russia and between China and North Korea. "There are other factors besides specific runway capacity that are impeding the growth of business aviation in China. It will happen and we are seeing great changes, no doubt. Where I live in Hong Kong we had no private jets based here before the new airports. Now there are probably over 100," Dixon says. Similarly, on the Chinese mainland there were only government-owned jets.

Now there are probably some 120 business jets owned by private individuals and charter operators in China. "We have seen a very rapid growth from a base of zero to where we are now. But you have to remember that this is still very small by comparison with the number of business jets in the US - it doesn't even compare to the number of business jets in California. So China is coming up from a very small baseline and this is going to take time," he adds.

Dixon points out that even a few years ago business aviation companies thought that they had MRO support for a China-based client when their major support base was in Singapore. "That's like telling a client in New York that they have to fly to Caracas to get support. You would lose clients hand over fist if that was your support solution for the US or Europe, so the development of MROs in China is hugely important for the growth of the business aviation sector here," he argues.

This is one of the reasons why Gulfstream and Bombardier have been looking to sign support agreements with China-based MROs. You have to have the infrastructure in place on the ground to nurture the development of the sector in China.

"There are something like 150 airports in China that are accessible to civil aviation, of which around 55 are used by foreign aircraft. So there is tremendous potential to expand the availability of airports to business aviation and to get closer to the secondary and tertiary cities. But lots of things have to change. You don't see corporate jets here with companies using jets in the way that Wal-Mart does, for example. Doing multiple cities in a day in China is very hard work, with all the difficulties over securing appropriate slot times and landing rights. In the US it is extremely easy. But things are changing. When I first came out here 20 years ago there were four airports available to foreign planes and there were no direct flights between Hong Kong and Beijing in 1980," he notes.

It is very important that business aviation is now part of China's current five-year plan, Dixon says, and this fact has been well publicised. But there are other very positive developments for business aviation going on across Asia that tend to go unheralded and unnoticed by the mainstream media in the West. "Older airports at places

like Bangkok and Jakarta are starting to fulfil their role in the business aviation cycle. When we talk about Asia everyone focuses on China, but there is tremendous potential for business aviation in Indonesia, which has some 250 million people and a very strong economy," he adds. Mid-sized jets have found more of a role in Indonesia, but it remains the case that the Chinese market's focus on big jets makes it the chief attraction in the region for manufacturers and business aviation companies alike. "The Falcon 2000/Challenger 605 class is the smallest jet you will see in Hong Kong or China. In Indonesia there are a number of Lears and Hawker 900s or 850s," he concludes. ●



We have seen a very rapid growth from a base of zero to where we are now. But you have to remember that this is still very small by comparison with the number of business jets in the US

David Dixon, President, Asia Operations



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Engineering specialist diversifies

TAECO launches VIP widebody completions business at Gaoqi International Airport

The specialist heavy maintenance and aero engineering company TAECO, based at Gaoqi International Airport in Xiamen, southern China, has secured the first order for its new multi-million dollar VVIP completions business. As CEO Steve Chadwick explains, the company was also appointed Asia's first completions centre for business jets by Airbus and subsequently by Boeing. In part this has to do with TAECO's pedigree in the aviation sector, which goes back some 60 years, together with the strength in depth of its resources. The company has the backing of the HAECO aviation company and ultimately of its parent company, the multi-billion pound Swire Group. The award is also Airbus's and



Boeing's recognition of the fact that TAECO is very serious about becoming a major player in the Chinese completions market.

TAECO has a tremendous wealth of talent, expertise and facilities to draw on.

The company has six double-bay, widebody hangars at Gaoqi and is accustomed to doing cabin upgrades or refurbishments for commercial airlines, including Cathay Pacific, one of its major shareholders. It has carried out some cabin upgrades or refurbishments so far on over 200 aircraft inputs, but the move into the VVIP completions space take things to a new level. Until TAECO moved into the game, wealthy owners of new Airbus and Boeing business jets had to appoint completions centres on the other side of the world, in the US or Europe.

"People in the business aviation sector may not be aware of the success story of TAECO. We are part of the HAECO Group which itself is part of the multi-billion pound Swire Group," Chadwick says. Based in Hong Kong, HAECO



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is the long-term maintenance provider to sister company Cathay Pacific. In the 1990s when Cathay Pacific was taking off in a major way, finding sufficient real estate to do aircraft maintenance in Hong Kong was tricky. So in 1993 the company planned to develop capability in Xiamen, and moved to Gaoqi International Airport where work started on the large amount of hangar space that heavy maintenance requires. By 1996 it was ready to begin operations in its first hangar. Since then the facility has grown to six hangars in total, capable of accommodating up to 12 large cabin, widebodied commercial jet aircraft. As Chadwick explains, initially the completions business is piggybacking on the maintenance business. The group originally handled large amounts of heavy maintenance for the commercial airline Cathay Pacific. Today about 30-40% of its work continues to come from Cathy Pacific and, to a limited extent, from private jets.

"We provide engineering support covering the breadth of maintenance services. Moving from there to developing a VVIP cabin completions business was a major step but we already had most of the engineering and other skills that we required in-house. The base skill set is the same but you are applying them in new and innovative ways," Chadwick says.

The VVIP completions team was recruited wholly from local people, who were trained up in the skills required by Airbus and by other world class organisations, including an industrial designs team who are now skilled in 3D modelling and rendering, so that clients can do a 'fly through' and see exactly how their design choices will look in the virtual cabin. "The 3D walk-through is impressive in terms of the quality of the visuals. The team put together a mock-up of an Airbus interior. The in-house manufacturing capability, back shop capability and the relationship with globally reputable vendors on VIP cabin business allows TAECO to install high-class products on the cabin. Chadwick says. The customer is invariably a high net worth individual who is buying the plane in his own right and not as a corporate jet.

"We are in this for the long haul. We strongly believe there is huge potential in the business



We are in this for the long haul. We strongly believe there is huge potential in the business aviation market in China. Our focus here is very much on the high end large jet

Steve Chadwick, CEO



aviation market in China. Our focus here is very much on the high end large jet, the Boeing BBJs and the Airbus 320 series ACJs. We will be keeping a close watch on the market and adapt ourselves accordingly," he adds.

Because Chadwick's team are able to use space in one of TAECO's six double-bay, widebody hangars for the VVIP completions work there is plenty of room to grow the business. "The facility is sized for about five simultaneous lines, but it will be a few years before we can expect to get anything approaching that volume of work. The challenge with completions is that each

project is very front-end loaded as far as demands on engineering skills are concerned, and thereafter there is a long installation period. So you have to align your engineering capacity and resources with your order book. This is not a market where you can disappoint the customer, so we will be very cautious about not overloading ourselves. We are definitely still in the build out phase of the completions business, but we are confident that we have the people, the skills and the resources that are going to allow us to deliver and to be China's premier completion centre," he concludes. ●



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Overcapacity in the completions market?

When Lufthansa Technik was spun out of Lufthansa as an independent but wholly-owned business back in 1995, the aim was twofold. On the one hand the goal was to provide the business with an incentive and a clear mission to extend its third-party client base. On the other, management recognised that if they could succeed in growing their third-party customer base in a highly competitive market, this would prove that its services provided value for money. As Walter Heerdt, Senior Vice President, Marketing, at Lufthansa Technik explains, it is very difficult for the technical department inside a major commercial airline to prove that its services are in fact competitive and that the parent is getting a good deal.

It is also constricting for the technical department itself, since it has to amass a range of skills to service the full range of needs of a commercial fleet and it is natural for it to want to develop and build on those skills beyond

A key point for anyone in the completions business to grasp is that the whole airline business is inevitably a cyclical affair

Walter Heerdt, Senior Vice President, Marketing

the needs of its home fleet. The required range of skill sets demanded of such a department extend from bringing new aircraft into service to providing a complete range of maintenance and other specialist services for the fleet. When you analyse the skills entailed, there is enough specialist knowledge there to support several identifiably different clusters of services, but none of these are likely to realise its full potential until and unless the department concerned is spun into a proper business in its own right.

As its history since the spin-off shows, Lufthansa Technik has more than proved its case. It now has six business units, comprising maintenance, overhaul, component services, engine

services, VIP services and landing gear services. It looks after some 2,100 jets for around 750 customers worldwide, including the Lufthansa fleet. "The major point here is that being successful in the aviation market shows that you are competitive. Now, both our external customers and our parent company can see that what we are doing matches or exceeds the best in the market in terms of price, turnaround time and quality. This gives the customer a high level of comfort and security since they know that this is a very competitive business and being successful in it is proof that your processes and skills are up there with the best," Heerdt says.

The Lufthansa Technik unit of interest to *Executive & VIP Aviation* readers will of course be the VIP unit, but as Heerdt notes, the company's business jets arm gains a great deal from being able to draw on the combined skills and experience of the other five specialist divisions. The main base for the VIP & Executive Jet Solutions business unit is in Hamburg and covers both completions and a range

of maintenance and technical services. The unit sets out to be an all-in-one supplier for technical inspections, cabin upgrades, conversions, maintenance, overhaul and painting. The business jets completions business is one half of the story with the full range of maintenance, support and overhaul services being the other.

As Heerdt explains, the industry in general and Lufthansa Technik in particular, has benefited from something of a boom in completions orders over the last five years, with demand in the large jet category staying relatively strong through the downturn. Moreover, the delays by Boeing in bringing the 747-8I to market (deliveries started in 2012) meant that once the plane arrived, completion shops found themselves facing something of a glut of orders and this stimulated demand through the whole of 2012.

Lufthansa Technik's completions division has produced tailored interior solutions for a wide range of aircraft, including Challengers, Boeing Business Jets (BBJs) and the Airbus Corporate Jetliner (ACJ) families, as well as doing completions for Boeing 747s and the

Airbus A330/340 series. The company is also prepared to work on the A380 if this is wished by a customer in the future.

"A key point for anyone in the completions business to grasp is that the whole airline business is inevitably a cyclical affair, since its fortunes are inextricably tied to the global economy, and this is as true of VIP completions as it is of any other part of the business. We have always been very careful in the peak times not to overextend our capacity. We want growth, but steady growth," Heerdt says.

As part of that "steady growth", Lufthansa Technik has ramped up its Hamburg base so that it can now handle three wide-body jet completions and a narrow-body completion simultaneously. "Right now we have two 747-8s and one 767-400, and the narrow-body we are working on is a BBJ," Heerdt comments. The company has another business jet completions and servicing centre in Tulsa, Oklahoma, and that too, is doing well. Plus there is a specialist Bombardier centre, Lufthansa Bombardier Aviation Services, in Berlin. LBAS, a Lufthansa Technik joint venture with Bombardier Aerospace Group and ExecuJet Aviation Group, is specialised in the maintenance, repair and overhaul of Bombardier Learjet, Challenger and Global business jets.

Heerdt believes that too many companies have moved into the completions space over the last few years, encouraged by the scale of the business that can be won here. "When I look back to 2003 and 2004, it was clear back then that there was substantial overcapacity in the industry and not enough projects to go around. But then we had a number of new aircraft types coming onto the market or about to appear, and there were more Airbus A330s being bought by corporates and governments, and requiring very substantial completion projects, so we saw the market return to growth, aided by the surge around the arrival of the 787s. However, I think the market for completions will now normalise and we certainly do not see the current peak in activity levels continuing. When that normalisation happens it will be interesting to see if the market is once again over-supplied," he comments.

With so many other business lines, Lufthansa Technik is much better placed than those of its competitors who just do completions, when it comes to weathering any thin patch in the market. "There are years when this or that aspect of our business does not run at that high a level of demand but if you have a multi-faceted business this gives you time to breathe and plan. If you are only in the completions business and



things go flat you have to walk through a very deep and dark valley," he comments.

Heerdt adds that when you look at the way Lufthansa Technik has built up its completions business over the years, it is clear that it has done so with a great deal of care. "We have done our preparations for increasing capacity very thoughtfully, taking care not to tailor our expansion to a peak in the business but to where our analysis shows what could be expected in normal times," he says. "Building up a completions team for a narrow-body or a wide-body aircraft takes time. These are very highly skilled specialists and they don't grow on trees. You have to add them slowly and with a great



deal of training. We want neither ourselves nor our customers to run into problems so we are very careful in our preparation work and we only offer services when we are in a position to know that we can deliver to the quality standards that our clients expect."

The company has its own specialist joinery and upholstery workshops at its Hamburg VIP base, with some 500 specialised engineers and technicians dedicated to aircraft completions. "Any completion is a huge project management job, but we have built up a great deal of expertise in project management over the decades. All our services, be it for the overhaul of an aircraft or for landing gear or engine services, are essentially very large project management and logistical operations and our project managers are among the best," Heerdt points out.

All completions start with detailed discussions with the principal or his or her representatives, during which Lufthansa Technik's design team

will take the owner and/or the representatives through the many choices that are involved in deciding how the aircraft will look and what the interior will consist of. The choice of fabrics, carpets, furniture and lighting, along with seating, special features and layout will all be worked through with the aid of 3D computer modelling. The client can see the impact of different fabrics, colour choices and lighting schemes at the click of a mouse and can 'walk through' the cabin interior in 3D to get a very good feel for the impact of the various choices.

"We do a total laser scan of the interior of the airframe when we get the aircraft, so we know its exact dimensions. Then we do the design



and the virtual installation of all the items. This allows you to see, for example, where the tolerances are building up to create a real issue for later installation. You can identify and solve installation problems in the virtual space that would require you to remove and refit if you only encountered them in the real world," he adds.

From the computer modelling Lufthansa Technik's design team will develop a design book for the principal to peruse. "Sometimes the customers look to us for design ideas, and sometimes they come with some clearly worked up designs of their own. In the latter case we draw on our knowledge, gained from a large number of completions, to help them see the implications of their design. How easy is it, for example, to repair or remove part of the cabin? If you are gluing everything then that is going to create real problems. What are the noise insulation characteristics of the material the customer is thinking about? All these things

count," he says. A business jet is very different from a commercial aeroplane. It is much quieter inside and cutting out noise is one of the things that creates value for the customer, so materials choices and sound insulation matter.

There is, of course, no such thing as an 'average price' for the completion work on a jet. "How much a completion costs is all about what you are doing with the plane. Is it going to be VIP from nose to tail or just in the front with something like a standard airline interior in the rear? Is it going to be at an exceptional level of elegance, a flying palace? Or is it to be a sensible corporate design? Do you want everything covered in gold? Rectangular furniture is a lot easier and quicker to build than rounded shapes so everything depends on the customer's choices. Helping the customer to visualise those choices and to understand the cost implications and even the after-sale implications of those choices is all part of the service," he says.

Weight is crucial since that will have implications for the aircraft's range, which makes the choice of materials and knowledge of the latest innovations in materials something of a differentiator among completions shops. "Layout and materials define the price, but they also have an impact on turnaround time and on the re-sale value of the aircraft when it finally goes into the pre-owned market. If the principal wants a highly stylised Chinese design say, that might look fantastic and unique but it might make it a much tougher re-sell later," Heerdt notes.

Lufthansa Technik goes through three design stages with the client. The first is the design scoping exercise, where a number of options might be worked up for the client to look at. Then there is the design review, where all the options are considered and the client's choices are firmed up. Once the client has signed off on this, then you have the design freeze. At this point the design drawings are worked up into engineering drawings and the completions project gets underway.

"This allows us to keep a firm grip on the project and it means the client knows when the point has been reached that makes the design final. Managing this part of the project well is key to finishing on time and on budget," Heerdt says. ●

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Flying ahead

Evergreen Apple takes a thoroughly modern approach to FBO services, by Anthony Harrington



Segun Demuren
CEO of EAN

Driven in no small part by the global interest in Nigeria's oil and gas sector, the Lagos-based Evergreen Apple Nigeria (EAN), the country's first private FBO, has had a very successful year with business aviation flights to and from its FBO increasing by as much as 100% year-on-year. The facility has been operating for almost two years and EAN CEO Segun Demuren has been involved in a whirlwind series of trade exhibitions and tours, publicising the FBO and getting the word out that Lagos now has a thoroughly modern facility with state-of-the-art business practices, a modern lounge and hotel-like crew rest facilities, together with a portfolio of executive jet services that can compete with FBOs anywhere.

Increased traffic movements both within Africa and to and from global destinations have fuelled an ever-increasing demand for premium services and Evergreen Apple offers

a full range of handling at its facilities, including flight clearances, VIP facilitation, ground support services and internal and external valeting of aircraft, including daily washing for planes parked on the apron.

In fact in the early days of the FBO, parking for private jets was one of the key basic revenue generating services for Evergreen. "There are a lot of owners in the country and they all require a secure and safe place to park their jets. So parking was where it all start and it is still a major driver for acquiring new business from in-country owners. We are very plugged-in to the buying networks so we know when owners are getting their jets. We write to them and let them know that we have this fantastic area where they can park their jet securely," he comments. Demuren estimates that there are somewhere between 100 and 120 private jets within more or less convenient reach of the FBO.

From that introduction, Evergreen goes on to make the client aware of its full range of



offered services including immigration services and catering as well as ground handling and maintenance, with the latter provided in conjunction with its MRO partner, MCM (Maintenance Centre Malta). The EAN Hanger Jet Centre provides maintenance services for most executive jets and offers troubleshooting and daily inspections, as well as line maintenance and repairs. Taking care of flight permits is another much-prized service, Demuren says.

Around 30-40% of Evergreen's business comes from the ad hoc transient market provided by visiting jets. These are generally either mid-cabin or large cabin aircraft coming from Europe, Asia, the Middle East and the US. "Their chief concerns are flight permits that allow them to be here and the ability to park the jet in a secure place - that is absolutely huge for our international clients," he adds. Evergreen is based right at Murtala Muhammed International Airport (formerly Lagos International Airport), which is only a 25 minute drive from Lagos's

main business centre - though doing the trip downtown during rush hour could turn the commute into an hour long journey!

Nigeria has four international airports and some 22 airports in all, plus a number of airstrips built by either the Nigerian Air Force or the big oil companies, so there is plenty of basic infrastructure in place for the business aviation market to get to grips with. However, Demuren points out that in the oil and gas region the major companies largely use helicopters rather than business jets. Port Harcourt has the Nigerian Air Force base quite close to town as well as the international airport, and it is used from time to time by business jets. However, the real draw is Lagos, with Abuja's Nnamdi Azikiwi International Airport in second place. "Lagos probably has about 40-50% of the air traffic in Nigeria, with Abuja having around 30-40% and the remainder spread across the country," Demuren says.

Demuren is determined to operate the

Evergreen FBO according to the best standards observed in the leading FBOs worldwide. For a start, this means that clients are not asked to pay cash, as is endemic across Africa. "Paying in US dollars in cash is still the norm for most of Africa so the fact that we operate transparent invoicing for clients is a real differentiating factor for us. We provide great service for your pilots and when you depart we send you a bill. This is 100% safer for pilots since they do not have to carry significant amounts of cash," he notes. This inevitably means credit management, but Demuren says that dealing largely with the major operators as regular customers cuts down the risk.

Evergreen currently has around 17 aircraft movements a week, which is brisk for a Nigerian FBO. "The logistics keeps us busy. We're currently using a third-party provider for refuelling our customers but within six months we plan to take this in-house and will be getting our own fuel trucks," Demuren remarks. The future for Evergreen Apple looks bright. ●



Shannon Airport: innovation as the key to growth

Shannon Airport is justly famous for introducing the world to the concept of duty free airport shopping, the foundations of which were laid down in 1947 under the Shannon Free Airport Authority legislation of the time. Today, you would be hard-pressed to find an airport anywhere that does not have a duty free section. Airport authorities around the world have leaped on the idea as both a revenue generator for their airports and a valued benefit for passengers. That game-changing 'first', however, as Shannon Managing Director Mary Considine points out, is only one of a number of firsts for the airport.

A second innovation, vitally important for the growth and prosperity of both commercial and business aviation at Shannon, is pre-clearance for US border and customs. This goes back to Shannon's status, from its early days onwards, as

a transit airport en route between the US and Europe. As Considine explains, Shannon was the original stopover airport on the transatlantic route and held that status from its opening in 1955 through to the introduction of Open Skies in April 2008. "Shannon is unique in that even though we have a small catchment area as an airport, absolutely tiny by comparison with, say, Heathrow, or Charles de Gaulle, our status as a transit airport and the full customs and border pre-clearance arrangement have created a tremendous and sustained business for the airport," she observes.

Perhaps the central attraction for both commercial carriers and general aviation flowing from pre-clearance is that their aircraft are then free to fly into some 220 domestic airports in the US, instead of having to go through the major international airports like John F. Kennedy. At a stroke this enables

commercial carriers in particular to avoid the high fees associated with landing at mainstream international airports, while passengers are able to go directly to baggage reclaim and on out the airport, saving them long queues through US security and customs.

Winning business from the large commercial airlines will always be Shannon's number one revenue earner, but business aviation has a treasured role in the airport's strategy to diversify its revenue stream. "The way we look at it, there is no silver bullet for Shannon as far as a winning business strategy is concerned. We need to deploy a multi-faceted approach. We are on the west coast of Ireland in an area that is certainly not densely populated, so commercial passenger traffic through our terminal by itself will never be enough to support the airport. Whilst terminal growth remains our core focus, because of our history and the availability of pre-clearance, the



The way we look at it, there is no silver bullet for Shannon as far as a winning business strategy is concerned
 Mary Considine, Managing Director

transit and business aviation markets are also hugely important to us", she says.

Shannon Airport's future growth plans received a major boost on 31 December 2012 when the government agreed to separate Shannon from the Dublin Airport Authority's remit. Until then, Shannon had been part of the trio of airports making up the DAA, the other two being Dublin Airport and Cork Airport. Shannon is now the Shannon Airport Authority and it is set to merge with the Shannon Development Company, with a mission to further develop Shannon as an international aviation services centre. As Considine points out, the merged entity will have no shortage of land to offer to incoming companies. Shannon itself has a very significant land bank of over 2,000 acres, while the SDA has 189 acres, forming the Shannon Free Zone. The idea is to build on the cluster of aerospace companies that already exist on the site.

There are almost 2,000 staff at Shannon employed in aviation-related companies on the site, excluding the airport's own terminal staff. Lufthansa Technik, for instance, have one of their eight global centres of excellence located at Shannon. Transaero Airlines, the second largest Russian carrier, has a significant MRO operation at Shannon and has just taken over the Aer Lingus hangar, where they plan to do Boeing 777 maintenance work. EirTech specialises in cabin refurbishments and repaints for commercial airlines while the Airport is also home to some of the world's leading aircraft financing and leasing companies. Shannon Airport and Ireland's role in playing host to legends in the aircraft leasing business is a story in its own right. GPA, or Guinness Peat Aviation, became the world's largest commercial aircraft lessor in the 1980s before a failed floatation sent it into administration

in the early 1990s. General Electric subsidiary GECAS (GE Capital Aviation Services) took over the operational management of GPA's fleet and has a major operation in Shannon. "Ireland has over 30 commercial aircraft leasing companies with GECAS being the largest in the world. AerCap, the third-largest, is headquartered in the Netherlands, with offices here at Shannon," Considine says. With the airport already having companies with such a spread of skill sets, the idea is to bring everything together to create a centre of excellence at Shannon for the aviation sector, both commercial and business. The next piece to be added to the jigsaw will be pilot training, and Considine says that discussions are already underway with two local universities, the University of Limerick and the Limerick Institute of Technology, to develop fully-fledged pilot training facilities located at the Shannon Airport complex. ●

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Anthony Harrington speaks to Sami Semola, FBO Manager,
Business Flight Centre, Finavia, Helsinki Airport

Q&A: Finavia

Q: What does it take to build a sense of comfort and a settled preference for a particular base among your customers, so that given a choice of airports to fly out of or into, your FBO operations will be uppermost in their thinking?

A: It is essential that the customer or the operator feels that they will always get the same quality of service at any time of the day and with no unexpected problems. The most important things for customers are: 24-hour full service, on-site border control and security checks, good facilities for passengers and crew, plus the possibility of ramp access.

Q: How important is catering for flight crews to your FBO philosophy?

A: We always regard the crew as a very important customer for us. If they get excellent service in our FBO then they will spread the word to other crews and that is the best enhancement of your reputation. We provide free beverages and coffee for all our customer crew members.

Q: What are the logistical challenges in providing a completely 'seamless' one-stop service for operators and their clients?

A: In our FBO, all services can be provided on site. The challenge is to adjust and coordinate services when there are sudden schedule changes.

Q: How important are fuel card schemes and the like to your business? What is done to make the back office accounting side of things run as smoothly and painlessly as possible?





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Our quality of work is the most important tool we have to promote our business. We also advertise in magazines and we participate in exhibitions, but it is the face to face contact with the client that creates real value

Sami Semola, FBO Manager

A: This is not that important for us. We provide a full credit service for all customers.

Q: How do you go about building up relationships with operators, charter companies and owners? What is involved in promoting the FBO to the world?

A: Our quality of work is the most important tool we have to promote our business. We also advertise in magazines and we participate in exhibitions, but it is the face-to-face contact with the client that creates real value.

Q: How can an FBO become more than a regional player? Is it best to focus on your strengths in a particular region or is diversification the name of the game so that you have a presence in both emerging and developed markets?

A: We are not looking to expand our FBO operations, so that makes us very much a local player. If one is looking for expansion then the most important thing would be to win agreements with major operators to be their preferred FBO.



Q: How important is the external and internal appearance of the building? Should the FBO flight lounge facilities, for example, aim to be palatial or simply smart executive? Is it important to have a hotel dimension so that the VIPs can sleep over if necessary or is that just adding a prohibitive cost level to the business?

A: Appearance is important but our experience is that even more important is that the visit is as quick and that it goes off as smoothly as possible. In our case it takes less than three minutes to walk from the plane through the terminal to the car. It is important to have many different standard and quality hotel options near the FBO.

Q: What can the FBO do to add value for its various constituents, ie, operators, VIPs, owners, charter companies, flight crews?

A: There are all kinds of extra services that can be provided. Some of these can be done for no extra charge while other services can cost extra. It is important to have options! ●

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Honeywell looks to extend its share of the CMS market



One big company is looking to add the 'wow' factor

Cabin Management Systems (CMS) may not make business jets go faster or make them that much greener, but by providing instant access to entertainment and internet connectivity, as well as giving the passenger control of the cabin environment, CMS plays a huge role in creating a real 'wow' factor for owners, operators and passengers. A jet's CMS determines pretty directly how comfortable and pleasurable the user will find the flight. In that sense, although a CMS

can't make the jet go faster, it can certainly make the journey time appear shorter.

Honeywell's Raghd Talih, Regional Sales Director, Middle East and North Africa, argues that CMS is to the passenger what the glass cockpit is to the pilot and co-pilot. Its mission is to put all the user-controllable elements at the user's disposal in the most convenient way possible. These days this generally means that the interface to the CMS will be via the user's smart phone, tablet or iPad. Their 'device of choice' will interact wirelessly with everything

from the automatic window shutters to the cabin entertainment system. Of course, the plane will still need wireless handheld controllers, just in case someone leaves their mobile at home, but these days 'bring your own device' is becoming standard. Letting passengers use the device they know and love is simply the obvious way to go.

Supplying complete turnkey CMS solutions is now big business and attracts both specialist component providers and mainstream aviation systems providers like Honeywell. For Talih,

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expanding CMS sales involves convincing jet manufacturers, operators and completion centres that Honeywell's solution has a real edge over the competition. While building relationships with all three is important for growing sales, getting a manufacturer to opt to install a particular supplier's CMS solution as standard on a particular line of jets has to be the Holy Grail. Instead of a one-off sale, winning a major contract with a manufacturer guarantees a significant number of orders stretching for years ahead. Honeywell has been selected as the CMS supplier for the Embraer Legacy 650 and each aircraft now rolls out the factory with Honeywell's Ovation digital cabin fully installed.

As Talih explains, CMS solutions are made up of a number of components. A standard approach today is to use gigabit Ethernet as the backbone from the server and 100 megabit Base-T Ethernet to each of the end point devices, be these wireless communications nodes or high definition TV screens. The completions house or operator, or perhaps even the owner, will need to choose a satellite communications provider and that will be a separate contract on top of the CMS solution.

Just how fast things are moving in satellite connectivity can be seen from the fact that the two major providers, Inmarsat and Iridium, both have major new satellite launches rolling out over the next few years. The two providers take a very different approach to global coverage. Iridium achieves its global footprint by ringing the Earth with 66 low earth orbit (LEO) satellites at a height of around 485 miles (781 kilometers). Inmarsat has just three satellites but they are positioned in geosynchronous orbit over 22,000 miles (35,406 kilometers) above the Earth's surface. Inmarsat's satellites are positioned around the equator, while Iridium's do pole-to-pole orbits. Starting in January 2013, Inmarsat is launching the first of three new satellites which will carry its Global Xpress Ka-band satellite service, with full global coverage available by late 2014.

Honeywell secured a major coup in October by signing a major deal with Inmarsat which makes Honeywell the exclusive wireless airtime reseller for Global Xpress aircraft connectivity services and the associated hardware for business jet aviation customers. This is a 5-year



CMS is to the passenger what the glass cockpit is to the pilot and co-pilot. It's mission is to put all the user controllable elements at the user's disposal in the most convenient way possible

Raghd Talih, Regional Sales Director,
Middle East and North Africa

contract and Talih calls it a "game-changer" for Honeywell's Ovation range.

"Inmarsat's Global Xpress service is going to provide much higher bandwidth and the higher the bandwidth you have, the more you can do in-flight. Live TV is still at the early stages, but this new service will add momentum to the growth and range of live broadcasts," he says. It is not only business aviation that will benefit. Live TV is also going to be hugely attractive to commercial airlines and the increased bandwidth is going to be essential to make that kind of service viable. "If you have 300 passengers all making their own choices about which TV channel to watch, there is a tremendous demand on system bandwidth. This is the kind of thing that Global Xpress is going to make possible and we are very excited about it," Talih considers.

Satcoms and CMS continue at present to be two independent systems, with many aircraft having satcoms without having an elaborate CMS system. So despite the fact that Honeywell has an exclusive contract with Inmarsat, completion centres and operators will still be free to choose CMS providers other than Honeywell, while using Honeywell as their satcom equipment provider and service provider. However, being in there from the start as the satcom provider will undoubtedly help to ensure that Honeywell at least gets some consideration as a potential CMS provider as well. It is an undoubted advantage and Honeywell intends to make the most of it. "Other parties will bid for their piece of a total cabin solution and will bring third parties into their proposals, but we have the advantage of being able to offer a potential client a one-stop-shop approach to both CMS and satcoms. That's a big deal for us," he notes.

Iridium is refreshing all 66 of its present constellation of satellites in what it calls its Iridium NEXT service. In the company's words, "Iridium NEXT is a game-changing reality that will dramatically enhance our ability to meet rapidly expanding demand for global mobile communications on land, at sea and in the skies." Launches are planned to take place from 2015, with completion by 2017. Among the new services Iridium NEXT will make available, one that will appeal to the general aviation sector is its Aireon service, a planned joint venture that will provide air navigation service providers with the ability to continuously track aircraft in near real time even in the most remote regions.

Satellite broadband services are still very much at a premium by comparison with terrestrial broadband services. However, as the satcoms systems evolve towards high-speed digital data, the cost of operations will come down. It will still be up to the operator, and probably ultimately up to the jet's owner, to decide what level of usage they are willing to pay for, but this is a market that is well accustomed to evaluating time versus money trade offs. "These are VIP customers for whom time is money, and it is proving to be a necessity today for executives not to lose five or six hours out of the day during a long-haul flight. They need to stay abreast of what is going on, particularly if



they are flying out for major contract discussions or to conclude an acquisition. With these considerations in mind, the price of satellite broadband is not particularly significant," Talih notes. Nevertheless, if you are going to have unlimited broadband, with streaming movies or video conferencing in-flight, the cost is going to be steep by comparison with the land-based equivalent service.

As part of its CMS operations, Honeywell has created a program management team, with product specialists who become part of a completion centre's operational staff during the fitting out, and who stay with the centre through to aircraft certification. Once the aircraft has been certified, the baton passes to Honeywell's after-market support services, and this is a vital additional dimension to winning market share in the CMS space, Talih argues. "We definitely gain from having field service engineers and customer representatives globally, able to provide a comprehensive support infrastructure for our customer base," he says.

The whole CMS space is fiercely competitive and fast-moving, and the technology is evolving at breakneck speed. Talih argues that this creates two major axes along which providers have to compete, technology being one, and after-market support being the second. "Completion centres will look carefully at a provider's track record in both of these dimensions as key selection criteria. There is a lot of common technology shared among all the suppliers, such as using gigabit Ethernet for the backbone, but there are plenty of differentiators with the technology. We aim to provide the best quality for the customer while being very low weight and having a very small footprint for the completion centre. This makes us state of the art. As an operator you want the latest and greatest technology for your client, so that you get the wow-factor, but you also want it properly supported, so that any after-sales issues can be swiftly dealt with," he says.

CMS solutions have many moving parts,

as it were, and there can be follow up issues, so a comprehensive regional support network is critical. Operators do not want to have to fly their jets out of a region to get CMS issues fixed. "We have field service engineers trained on our CMS products and an extensive network of Honeywell certified service centres. There is a lot of pressure to minimise downtime and a broad-based support network is key to this," Talih explains.

With so many of the components of a CMS solution evolving all the time, being open to new technology as it emerges is crucial. "People take it for granted now that they can use their iPad to get complete control of the cabin environment and the entertainment and communications systems, but in a short while there may well be some other device that they will be focused on. We have done a lot of research with major names in the technology sector, such as Apple, to ensure that we can evolve our system as the technology evolves," Talih says. ●



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