



THE BUSINESS TIMES

Home | Site Map | My Stocks | Currency Converter | Place an Ad | Subscriptions | About Us | FAQ | [RSS](#)

Tue, February 19, 2008, Singapore
 prithpal is logged in
 Change Password
 Sign in as different user
 Log out

Search Newspaper Sections

Singapore Airshow 2008
 Published February 18, 2008

[More Story Photos](#)

Market Report

ST Index (Real-time)

3,124.18 ▲40.84

Tue, Feb 19, 2008, 13:31

Regional Indices

KLCI 1,420.87 +8.04

HST 24,276.36 +517.11

NIKKEI 13,710.85 +75.45

US Indices

Dow 12,348.21 -28.77

Nasdaq 2,321.80 -10.74

S&P 1,349.99 +1.13

Friday Closing

Stock Report

Singapore: Market rallies in line with Hong Kong, US futures

News

Latest News

Print Edition Headlines

Commentary

Hock Lock Siew

Editorial & Opinion

Financial Markets

Stocks

Stock Picks

IPO Watch

FX/Money Markets

Funds/Unit Trusts

Derivatives

Commodities

Calendar

Tools

Specials

Biz IT

Property

Executive Money

Executive Lifestyle

Motoring

Supplements

Singapore Airshow 2008

Who's Who In Corporate Finance

More

McKinsey Quarterly

7-day Archive

Mon Tue Wed Thu Fri Sat Sun

The Straits Times Index
 FTSE ST INDICES

CURRENCY CONVERTER

THE STRAITS TIMES

SINGAPORE BUSINESS AWARDS
 Find out more

SINGAPORE CORPORATE AWARDS

Find the latest jobs at www.st701.com

Exec jets are coming, but is Asia ready?

Financial institutions and governments in Asia have still to wake up to the great potential business aviation offers, says PRITHPAL SINGH

TALK to most people in Asia about executive jets and the immediate response is 'Oh, that's for the rich and famous!'



'For executive jet customers, time is money and discretion and privacy are precious. Even if he travels first class as a super VIP on a commercial flight, he still has to wait for the plane. For the executive jet customer, the jet waits for him.'

prefer not to. They fly about 100 hours a year -- equivalent to about 10 trips to Shanghai and back - but prefer to charter different kinds of executive jets for their varying needs. A rule of thumb is that owner-users should plan to fly their jets about 300 hours a year to economically justify such a purchase, so this category is not quite ready to make a purchase.

With the economic boom in Asia, the pool of individuals and corporations using executive jets has grown rapidly, particularly over the past three to five years. Already there is sufficient anecdotal evidence to indicate that demand for private jets available for charter in Asia far outstrips the availability of suitable properly licensed executive jets for commercial charter in Asia.

Herein lies the irony: While there is a growing awareness of the tremendous potential presented by the growth of business aviation in Asia, especially among the private sector, there appears to be certain sectors - particularly financial institutions, governments, airports, regulatory authorities - which have not sufficiently awoken to this new wave. They have not yet adequately grasped what business aviation is all about. As a result, their reactions thus far have largely been sluggish or even inappropriate.

Business aviation in the mature markets of the US and Europe continues to grow and thrive and even in the Middle East, the newest entrant into the sector is experiencing tremendous growth. However, Asia, despite its sterling economic performance, lags far behind. For example, there are fewer than 400 executive jets in all of the Asia-Pacific region and most are privately owned and by military and quasi-military organisations. This is even less than the number of executive jets one will find at just two airports in California!

This begs the question: If indeed business is so good and the market potential in Asia so huge, why are there not more Asian-based executive jets available for charter and why are there so few executive jet companies in Asia?

It all boils down to a lack of understanding and appreciation of what business aviation is all about and the opportunities this new market segment presents. This is quite simply explained by the sheer dominance of the commercial airline business in Asia. With such a concentration of commercial airlines, governments and institutions have had little chance to give business aviation sufficient attention.

Things are changing now but problems and impediments to further growth in the business aviation industry in Asia still persist and need to be addressed.

One major problem, for example, is the lack of attractive financing to purchase executive jets. Most Asian financial institutions do not understand business aviation and how to finance purchase of executive

- Email this article
- Print article
- Feedback

That may have been the case not so long ago but not quite so today. While this perception is hard to erase, the reality is that there is a large and fast-growing pool of non-jets owners in Asia, i.e., individuals and corporations, who are already extensively using executive jets which they charter on an ad hoc basis.

This group of users sees value in using executive jets for business and leisure but are not your typical 'rich and famous'. There is another category who can afford to buy a jet but



Click on the thumbnail above for a full size view

Related Headlines

- CURRENT STORIES
- > **Key announcements set the tone**
 - > **Focus on air power, defence procurement**
 - > **Common vision needed for aviation success**
 - > **Asia must take lead in aviation sector: Iata**
 - > **EADS signs deals with NUS, NTU on Airbus, R&D projects**

ARCHIVED STORIES

- > **Asia soaring high**
- > **On a good Bombardier run**
- > **Where virtual meets reality**
- > **Show dates and opening hours**
- > **Growth brings more challenges**
- > **Asia's new tussle over airports**
- > **All set for Asia's largest airshow**
- > **Being good stewards of the environment**
- > **Brisk business likely at S'pore Airshow**
- > **Embraer sees Asia demand for 70-110 seat jets**
- > **Rolls-Royce revving up greening of aero engines**
- > **Asian vitality a shield against US recession: MM**

WITH THE BEST OFFSHORE ONLINE BROKER

internaxx
 OFFSHORE ONLINE BROKER

jets. They lack the know-how in determining aircraft valuations and depreciation issues and how to collateralise the business jets in a way which would allow them to offer attractive and creative financing options.

Most of these institutions, which will happily finance a car or a house with a 100 per cent loan approved in two hours, are often only prepared to offer financing for aircraft purchases based on personal guarantees and pledges of property, plus hefty downpayment deposit requirements.

The few Asian-based foreign financial institutions which understand aircraft financing and are already prime lenders to the aviation industry in the US and Europe do not sufficiently understand Asia. They err on the side of caution and place undue risk loadings on these loans, mainly due to ignorance and lack of understanding of the local situation. One financier I spoke to was very candid. He said that the head office in New York made these decisions, and more often than not, the person making these decisions had not even been to Asia!

These institutions often also cite difficulties of aircraft repossession in case of default. On further questioning, one realises that more often than not this view has been perpetuated by some mistaken notion and misinterpretation of local laws and regulations, which have not been properly researched nor were proper legal opinions sought from Asian-based lawyers who know better.

One financier even cited a case of repossession difficulties 30 years ago to justify his financing decision, not knowing that laws have been changed many times since, making aspects of repossession much more transparent.

All of these factors result in these institutions placing onerous and unrealistic financing terms which are often deal breakers. Another example: Even if one has overcome the main hurdles, many specify financing on condition that the aircraft be registered only in countries which are on their 'A' list.

As anyone in this business knows, the biggest and most populous countries in Asia which have the most demand and potential for executive jets are often not on this 'A' list. Therefore, placing such conditions negates the very purpose of purchasing these aircraft in the first place. It's no good having an Asian-based aircraft which is registered in the US when it cannot fly on domestic routes in many of these Asian countries due to reasons of cabotage.

Then there are the issues pertaining to archaic policies of civil aviation authorities of most Asian countries and an existing regulatory framework which does not quite favour executive jets the way it does commercial airlines.

For historical reasons general aviation (under which business aviation is often categorised) has never had any particular priority in Asia. For decades, governments have been putting resources and effort into growing their commercial airlines with an obsession to grow aviation hubs and on maximising passenger traffic through their airports.

This numbers game does not favour executive jets. As a senior civil aviation officer remarked to me recently: 'We have a small team in our air transport division and we have to concentrate on the commercial airlines. Our national aviation policy is to help develop our commercial airlines. We have to spend the same amount of time on oversight whether it's a 300-seat aircraft or an eight-seat executive jet. Where do you think my bosses would like me to spend my time?'

An indication of how archaic the regulatory environment pertaining to executive jets is can be seen from the fact that very few Asian countries have in their system a special licensing and operating category called 'Part 135' or its equivalent.

'Part 135' is a set of operating requirements for commuter and on-demand operations which essentially executive jets fall into to ensure that high standards of safety are adhered to in all flight operations. This set of requirements sits somewhere between those that apply to a private registered jet (referred to as Part 91) and a full-fledged scheduled commercial airline (referred to as Part 121). Part 135 is a very high standard and stringent certification process which has been adopted by the US, Europe and many other countries.

Without this Part 135 regulatory framework in place in many Asian countries, it simply means that if you have an eight-seat executive jet, there are only two options: It can either be registered as a private aircraft (which means it cannot be chartered out on a commercial basis) or it may be registered as a scheduled commercial airline, i.e., subject to the same rules and regulations that would apply to a Boeing 747! This has tremendous cost and operational implications for an executive jet operator.

Another misconception about business aviation is the fallacy held by many Asian airport authorities that if you want to attract executive jets you need to build fancy VIP terminals. A little research will show that the typical executive jet customer wants to spend minimal or zero time in a passenger terminal building. The ideal is for a limo to meet the passenger at the aircraft on landing and whisk him off to the city while his passport and baggage are processed by his ground handlers.

For executive jet customers, time is money and discretion and privacy are precious. Even if he travels first class as a super VIP on a commercial flight, he still has to wait for the plane. For the executive jet customer, the jet waits for him. The only two airports in Asia I know which provide

this doorstep service is Halim Airport in Jakarta and Subang Airport in Kuala Lumpur.

Other airports can learn from this. Airport authorities need to understand that what's needed is just a functional terminal building geared to supporting executive jets, i.e., lounges for pilots, crew briefing rooms, temporary baggage storage facilities, 24-hour customs and immigration on site with pre-arrival clearance facilities, aircraft parking right in front of the terminal, covered parking areas for aircraft, and simple hangars nearby where aircraft may be parked overnight to allow crew to work on routine maintenance.

This kind of facility, commonly referred to as a 'fixed base operation' or FBO, is what's needed, which is nothing more than a business centre-cum-garage facility.

In Asia, there is also a certain skewed belief among regulators and support service providers that executive jets equate to an opportunity to gouge customers for standard services. So it is quite ironical that the cost of operating an executive jet in Asia is higher than that in the US. For example, you can charter a medium-range Lear jet in the US for about 20 per cent less than you would in Asia, and on a typical flight on an executive jet from Singapore to Hong Kong, for example, the cost of ground handling, catering, over flying permits, air navigation charges, etc, can amount to nearly 15-20 per cent of the total cost of a one-way flight.

While the world is talking open skies agreements and creating a more liberal aviation environment for commercial airlines, the rules applied to executive jets are still mired in red tape and stuck in a time warp. For example, an application for approval for a flight has to be made before an executive jet takes off for its destination. This may not be too bad if the approvals come quickly. But in some Asian countries, especially India and China, the approval process takes days and costs thousands of dollars, defeating the very purpose for which customers want to use a private jet.

This is the mindset that needs a drastic overhaul. This miniscule private jet traffic poses no competition to commercial aviation. In fact, most users of private jets are the very people who are in the echelons of business making a significant contribution to the economies of these countries, being titans of industry who need to be in so many places in as many days, and they need to get there fast!

It would be simple to streamline procedures and do away with the present ancient approval procedure if only the civil aviation authorities of Asian countries place this item on the agenda of their next meeting and reach some common agreement. It would not be very difficult. Some Asian countries are already providing approval in hours and yet some take days, so an agreement on a consistent approach is all that's required.

All these issues notwithstanding, business aviation continues to grow and some Asian countries are already responding positively. For example, Hong Kong has taken the lead by having a dedicated Business Aviation Centre located at its international airport providing the services which users of executive jets would need, although the disproportionately high cost of using these facilities continues to irk many.

Singapore and Malaysia, too, have announced extensive redevelopment of their secondary airports at Seletar and Subang Airport in Kuala Lumpur into business aviation friendly airports. These will be ready in 2010. Jakarta has given the secondary airport Halim a new lease of life by positioning it as a business aviation airport although facilities are still inadequate. And the Thais are talking about converting Don Muang, the former international airport, into a business aviation airport as well. But what about the rest of Asia?

The signs are encouraging and this augurs well for business aviation in Asia. Progress is patchy and uncoordinated at the moment. What is really needed now is for the subject of business aviation to come to the forefront in Asia aviation circles: Civil aviation authorities, government policy-makers, aviation conference organisers and the private sector need to examine ways to grow business aviation in a coordinated way and to create a more business aviation friendly environment.

For after all, if Asia's phenomenal success story in commercial aviation is such a lesson for the rest of the world, imagine the great strides that Asia can make in business aviation if only it puts its mind to this new and exciting aviation challenge.

The writer is CEO and co-founder of Executive Jets Asia, and a board member of the Asian Business Aviation Association. He is also a pilot and an aviation, tourism, travel and hospitality veteran.

Other Singapore Airshow 2008 Headlines

- › **Asia soaring high**
- › **All set for Asia's largest airshow**
- › **Growth brings more challenges**
- › **Being good stewards of the environment**
- › **On a good Bombardier run**
- › **Rolls-Royce revving up greening of aero engines**
- › **Embraer sees Asia demand for 70-110 seat jets**
- › **Where virtual meets reality**
- › **Asia's new tussle over airports**
- › **Show dates and opening hours**

Ads by Google

[Penny Stock Fortunes](#)