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Aircraft: CHALLENGER 300

Manufacturer: Bombardier
Operation type: Part 91
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Wingspan: 64ft
MTOW: 38,856 lb
Hours available: 15
Location: New York, USA

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Aircraft: HAWKER 4000

Manufacturer: Hawker Beechcraft
Operation type: Part 91
Range: 4,166 miles
Top speed: 639mph
Wingspan: 62ft
MTOW: 39,500 lb
Hours available: 15
Location: Paris, France

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Aircraft: CITATION SOVEREIGN

Manufacturer: Cessna
Operation type: Part 135
Range: 3,671 miles
Top speed: 529mph
Wingspan: 72ft 4in
MTOW: 30,775 lb
Hours available: 15
Location: Milan, Italy

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— INTERCHANGE —

Aircraft: G450

Manufacturer: Gulfstream
Operation type: Part 91
Range: 4,859 miles
Top speed: 581mph
Wingspan: 77ft 10 in
MTOW: 33,000 lb
Hours available: 20
Location: Frankfurt, Germany

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— INTERCHANGE —

Aircraft: G650

Manufacturer: Gulfstream
Operation type: Part 91
Range: 6,050 miles
Top speed: 614mph
Wingspan: 85ft 10 in
MTOW: 41,000 lb
Hours available: 20
Location: Frankfurt, Germany

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Acquisitions: What to look for when buying an FBO business

Fuel safety: How to handle fuel safely to ensure your business remains successful



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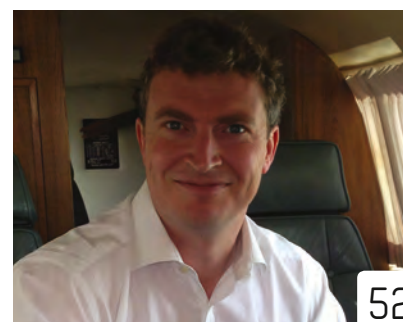
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Welcome

There is always strength in numbers, or so the saying goes. It appears that the business aviation community agrees with this sentiment, looking at the number of partnerships recently announced in the media. Jet Aviation joined forces with NasJet in June 2015 to provide handling services to NasJet's growing fleet of aircraft, while Universal Weather and Aviation announced a strategic partnership with NetJets China in April 2015.

Fixed-base operators are also coming together to strengthen their networks through the medium of acquisition. For example, Landmark Aviation acquired the entire Ross Aviation network in August last year, increasing the number of FBOs to 75 globally, while Signature Flight Support has been growing its network through the purchase of individual FBOs over the past few years.

And it's not just FBOs that are jumping on the acquisition bandwagon – Luxaviation has bought ExecuJet, making it the world's second-largest corporate aircraft operator (see page 8). In fact, according to a recent Baltic Air Charter Association survey of 80 members, 44% of respondents (brokers, operators and FBOs) have either conducted or are looking into the possibility of mergers and acquisitions.

There are many things to consider when purchasing an FBO, including geographic location and how well the proposed location fits in with the buyer's current business model. "Fuel volume is very important, as is the level of competition at the airport," notes John Enticknap, principal of Aviation Business Strategies Group in *Buyer's guide* on page 46. "Other factors you should consider include whether the infrastructure of the FBO has been well maintained, and the relationship between the FBO and the airport." Basically you need to make sure you buy something that gives you value for money.

Getting the most out of your investment is also a key consideration for aircraft owners. To be cost effective, full ownership of an aircraft (as opposed to fractional) requires a minimum use of 250 flight hours per year. One way that US aircraft owners can ensure they get the most use out of their aircraft is to enter into an interchange agreement. This means that you agree to lease your airplane to another person in exchange for equal time, when needed, on the other person's airplane, free of charge. As Liz Moscrop writes in *Swap shop* on page 32, "Ideally, the exchange would maximize use of both jets and, in many cases, allow owners to target a more appropriate aircraft for a given mission." By partnering with one or more individuals or companies, aircraft owners and operators can increase the number of aircraft in their fleet without having to invest any capital in new airplanes, which seems like a wise investment to me.

This issue also looks at the investments being made in the business aviation industry in Mexico, a country that has seen operational growth of 10% per year (see *Military precision* on page 16). Companies such as Signature Flight Support are recognizing the opportunities available in Mexico and are expanding their FBO networks to the region.

As we sent this issue of *Business Airport International* to press, WINGX Advanced announced that business aviation activity in Europe in May 2015 had increased by 0.7% year on year, and TraqPak data revealed that the USA experienced a rise of 1.1% on 2014. The fact that this growth is predicted to continue (TraqPak analysts estimate there will be a 1.9% increase in overall flight activity year on year in June 2015) is proof that the business aviation community is getting stronger and stronger.

Hazel King, editor

Editor-in-chief Helen Norman

helen.norman@ukipme.com

Editor Hazel King

hazel.king@ukipme.com

Production editor Alex Bradley

Chief sub editor Andrew Pickering

Deputy production editor Nick Shepherd

Senior sub editor Christine Velarde

Sub editor Alasdair Morton

Art director

Craig Marshall

Art editor

Nicola Turner

Design team Louise Adams, Andy Bass, Anna Davie, Andrew Locke, James Sutcliffe, Julie Welby, Ben White

Head of production and logistics

Ian Donovan

Deputy production manager

Lewis Hopkins

Production team Carole Doran, Cassie Inns, Frank Millard, Robyn Skalsky

Publication manager

Jag Kambo

Project manager

Tom Eames

Editorial director

Anthony James

Managing director

Graham Johnson

CEO

Tony Robinson

Published by



Business Airport International

Abinger House, Church Street,
Dorking, Surrey, RH4 1DF, UK
tel: +44 1306 743744
email: jag.kambo@ukipme.com

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EAN creates new-look VIP lounge at Lagos FBO

 EAN Aviation, an integrated business aviation services company based in Lagos, Nigeria, is refurbishing its FBO VIP lounge at Murtala Muhammed International Airport following a period of increased customer demand.

“Over the past year, demand for FBO services has maintained the same trend as the previous year and is relatively stable, with a 3:1 split between local and international clients,” explained Adetutu Akinyemi, head of sales and marketing at EAN Aviation.

“In addition to oil and gas, politics was a big driver of demand in the period, largely because it was election year in Nigeria. Geographically, the most growth is from local as well as regional or sub-Saharan movements.”

Managed by EAN's team of highly trained customer relations and operations staff, the VIP lounge will be led by Tayo Aiyetan, an aviation professional with over 18 years' experience and a proven track record of excellent service delivery across Africa. The lounge renovation is scheduled for completion by July 1, 2015.

The new VIP lounge, which comprises approximately 1,800ft² of floor space, has been thoughtfully designed to create a contemporary look and feel. The interior blends visual elements from the aviation world with contemporary styling, while accommodating visitors' needs. The combination will generate a high degree of elegance, comfort and privacy, while maintaining full functionality for passengers and crew.

All images: **The new-look VIP FBO lounge at Murtala Muhammed International Airport will be completed to the highest international standards**

"We are investing in expanding our MRO capabilities and have our sights set on getting our EASA Part 145 approval by next autumn"

Adetutu Akinyemi, head of sales and marketing, EAN Aviation

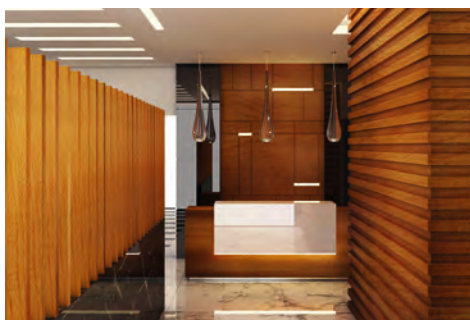
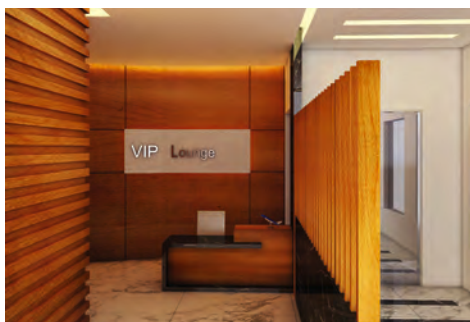
Market growth

According to EAN CEO Segun Demuren, Nigeria has Africa's fastest-growing aviation business with more new and pre-owned aircraft delivered to the country than South Africa in 2013. The sector grew by 20% in 2013 and the private jet fleet is now larger than the commercial aircraft fleet. Growth has been driven by the oil and gas industry as well as finance, manufacturing, telecoms and agriculture.

Research by Hangar8 revealed Nigeria's business aircraft fleet accounts for 56% of the total West African fleet, with 93 aircraft registered in the country. The number of business aircraft delivered to Nigeria between 2004-

2008 and 2009-2013 increased by 50%. In 2013, 10% of all Africa's inbound foreign direct investment went into Nigeria and this, coupled with a fast-growing economy and expansive labor force, is influencing the growing demand for private aviation services.

The private aviation market in West Africa as a whole is growing. According to Hangar8, of the 20 fastest-growing African countries by GDP real growth rate, eight are in West Africa, and the number of business aircraft based in the region between 2009-2013 was 73% higher than the previous five-year period (2004-2008).



Key features include comfortable, spacious seating for up to 25 passengers, and a separate private area that provides further luxury seating for up to eight passengers. There will be a dedicated buffet providing light refreshments along with a selection of hot and cold beverages.

The designated crew area inside the VIP lounge incorporates a new crew flight-planning workstation with the latest connectivity and printing facilities. A seating area will complement the existing crew facility, which offers hotel style accommodation and a relaxation area.

The lounge has been designed by Project Interiors – a vibrant Nigerian company that specializes in commercial design projects. The style was inspired by modern African luxury, with

local artwork and patterns adding an authentic Nigerian ambience. "We are using mainly marble and wood finishes to create a modern African luxury ambience that our VIP customers will feel completely at ease in," said Akinyemi.

Segun Demuren, CEO, EAN, commented, "As an independent FBO we wanted to create our own look and feel. We think the result will really delight our customers and all of the team at EAN is excited about the plans. Our current facility provides a seamless experience for our customers, but with our planned offering clients will be welcomed into a stylish, well appointed, luxurious environment that has been designed to enhance our excellent customer service and exceed their expectations."

Once open, the new-look FBO will continue to offer its full range of business aviation services including: flight planning and dispatch services; full ground services; ground power supply (electric and diesel); 24-hour manned security; inflight catering; a laundry service for cabin linen and dry-cleaning; crew transport; free wi-fi; hangarage; and free secure car parking and dispatch services in Abuja and Port Harcourt. During the refurbishment, a temporary lounge is being provided.

The refurbished lounge is just one part of the company's future growth plans, which include expanding into other African markets and growing the aircraft acquisition and sales department. "We will continue to improve our capability to provide a wider range of aviation services – creating a one-stop shop for our clients, while continuing to deliver unrivaled support to discerning customers in this region. In addition, we are investing in expanding our MRO capabilities and have our sights set on getting our EASA Part 145 approval by next autumn," concluded Akinyemi. [✈](#)



Atlantic Aviation breaks ground on new hangar

Above: **Design rendering of the office and shop space at Atlantic's new facility**

Below: **The new hangar will include plenty of windows for natural lighting**

Construction has begun on a new 19,676ft² hangar at Charles B Wheeler Downtown Airport (MKC) in Kansas City, Missouri, USA. Hangar 11 is the third hangar to be built in the past five years at the company's leasehold at the airport; it will be used to accommodate the growing needs of tenants and transients in Kansas City.

"Business has been very good. Since 2010, the airport has seen an 8-10% growth in traffic and fuel volume each year, which is higher than the national average," said Kyle Eiserer, general manager for Atlantic Aviation at MKC. "As for Atlantic, our business at MKC continues to grow and this new hangar enables us to support our existing customers' growing needs."

The new hangar will be large enough to accommodate a Gulfstream G650, and will include 6,460ft² of office and shop space, plus common kitchen, galley and lobby areas. "The majority of our traffic is business related. We handle virtually all types of aircraft, from King Airls to G650s and the occasional airline sports charter. This location is a bit unusual in that we only sell Jet-A fuel, so our focus is on the turbine market, although we work closely with the city's general aviation ramp adjacent to our facility," continued Eiserer.

MKC is an attractive airport for business aviation customers owing to its close proximity to downtown Kansas City. "Customers can get off their aircraft and be in the heart of the city within 5 to 10 minutes," Eiserer said. "In addition, the city




continues to invest in the airport's infrastructure, which is wonderful from our standpoint. MKC has relatively new runways and taxiways, and the systems are well maintained. The airport authority continues to be very proactive."

Energy consumption is a focal point for Atlantic Aviation, and the company has included a number of energy-saving initiatives in the design of the new hangar, including translucent panels to illuminate the hangar.

"We have included LED lights, and many storefront windows inside the office and along the exterior walls, to allow natural light to illuminate the facility and provide an open feel. In addition, we continue to use and set up our facility for electric vehicles, tugs and GPUs," said Eiserer.

The hangar was designed by Atlanta, Georgia-based company Dye Aviation, and the general contractor is Kansas-based construction company Titan Built. "We have used Dye Aviation for our other projects at MKC, so they are familiar with our facilities and have done a wonderful job," commented Eiserer. "Dye Aviation focuses on FBOs and corporate hangars, so they are very familiar with our business and understand the intricacies of working on an airport and the needs of a busy FBO and they are a great liaison with our general contractor."

Hangar 11 is due to open in December 2015 and will complement Atlantic Aviation's other facilities at MKC, which include a 26,800ft² terminal and a 28,800ft² hangar. 

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Above (L-R): **Charlotte Pedersen**, COO, Luxaviation Group; **Patrick Hansen**, CEO, Luxaviation Group, and new chairman, ExecuJet Aviation Group; **Niall Olver**, outgoing founding CEO and chairman, ExecuJet Aviation Group; and **Gerrit Basson**, new CEO and former president and COO, ExecuJet Aviation Group

Luxaviation Group expands operations with ExecuJet acquisition

Europe's leading business aviation group Luxaviation has acquired ExecuJet Aviation Group of Switzerland. The transaction sees Luxaviation acquire the entire share capital of ExecuJet and become the second-largest corporate aircraft operator in the world.

Founded in 2008, Luxaviation started with one aircraft and has grown its business through acquisition, buying Fairjets, London Executive Aviation, Unijet, Masterjet and now ExecuJet, bringing the total number of business aircraft in the fleet to 250.

"What has driven the expansion of Luxaviation Group is our conviction that the business aviation market is still immature – in Europe, more than 80% of operators manage fewer than five aircraft – and needs significant consolidation," explained Patrick Hansen, CEO, Luxaviation Group. "By pursuing our strategy of growth by acquisition, we have created the second-largest business aviation group in the world, creating economies of scale

in the purchasing of fuel, insurance, training, maintenance and other significant cost areas."

The acquisition was financed by Chinese private equity. Gerrit Basson, newly appointed CEO and former president and COO, will lead ExecuJet, while Hansen will become chairman. Niall Olver, the founding CEO and chairman of ExecuJet, will stand down, but continue in an advisory capacity for the foreseeable future.

ExecuJet will retain its identity, management team and operational independence, while benefiting from valuable synergies within the Luxaviation group.

"We will benefit from cost savings on items such as fuel and insurance that will enable us to invest in service improvements. By working with sister Luxaviation companies, we can offer clients additional charter and aircraft management options, such as a wider choice of aircraft, as well as other facilities and expertise from within the Group," said Basson.

The acquisition sees Luxaviation Group's employee numbers triple, and the company will focus on the integration of staff in the next 12-18 months, according to Hansen. "Achieving lasting improvements takes time, so our staff know they will have to be patient over the coming months, but we are clear that the Group's potential can only be realized by harnessing the know-how of our people," he added.

The two companies will now focus on building a worldwide network, expanding into more European countries and targeting the Asia-Pacific region.

"Luxaviation shares the same philosophy as we do – to build a worldwide network offering consistent service and quality processes, enabling us to serve the world's most discerning clients wherever they travel," said Basson. "Luxaviation is present in some European markets in which ExecuJet previously had no local presence, so by joining Luxaviation, the number of locations in which we can offer clients support will now increase." ExecuJet currently has 17 FBO locations worldwide.

"Luxaviation's strategy is driven by growth and the development of new markets rather than by competition within the industry," added Hansen. "We are focusing our efforts particularly on capitalizing on the high-growth potential of the Asia-Pacific markets. Today, Luxaviation has an office in Singapore and recently signed a strategic cooperation agreement with Minsheng Aviation, which will allow Luxaviation Group to develop its offer for the fast-growing Asian business jet market and further improve client services in this region."

Luxaviation hopes to achieve its goal of having 500 aircraft under management by 2019.



Above: **ExecuJet will expand its services into new European markets**
Left: **The acquisition increases Luxaviation's fleet to 250 aircraft**



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Sat 7:30am-7:00pm; Sun 7:30am-9:30pm

Runway length: Runway 12 – 8,651ft;
Runway 30 – 9,002ft

Fuel: Jet A1, Jet A1 F34 and Avgas



Weston Aviation to expand facilities at Newquay Cornwall Airport

Above: **Weston Aviation's new FBO will form part of the Aerohub development site**
Below: **At 9,002ft, Newquay Cornwall Airport has one of the longest runways in the UK**

UK-based FBO and business aviation company Weston Aviation has signed a new long-term lease and contract for the provision of fixed-based operations at Newquay Cornwall Airport in the southwest of England.

The new 8,800ft² building will include a passenger and crew lounge area, meeting rooms, pilot rest areas, and self-briefing facilities for business aircraft owners, crews and general aviation pilots.

"This is our fourth time of increasing facilities in relation to size and services offered to our customers at Newquay Cornwall Airport since we opened there in 2003, which confirms our commitment to and continuing investment in the airport and the surrounding region. We are delighted to secure a long-term future at Newquay and, in turn, reconfirm our commitment to the airport for many years to come," said Nick Weston, the company's founder and managing director.

The new Business Aviation Centre will also offer direct ramp access, crew briefing facilities, meeting rooms, complimentary car parking and kitchen facilities. It will be located on the south side of the airfield, offering more ramp space.

Opening in July, ready for the busy summer period, the FBO forms part of the Aerohub cluster of aviation businesses at the airport and will ensure that Newquay Cornwall Airport remains the main business aviation airport of choice for the area.

"The airport is the primary business aviation airport for the Cornwall region and the southwest of England," commented Weston. "Newquay is renowned for its famous restaurants, hotels and stunning beaches and coastline, and the airport has a balanced split between business and leisure travelers."

Al Titterton, managing director of Newquay Cornwall Airport, added, "Business aviation is a significant part of our business and the growth over the last few years has necessitated this further investment in new facilities. The new FBO will allow Weston Aviation to continue to grow and I'm excited about the potential and the long-term commitment they are making to the airport."

Weston Aviation is working with Cornwall Airport Limited and local contractors on the new Business Aviation Centre.

Weston Aviation is the UK's second-largest FBO network in terms of locations and operates bases at Newquay Cornwall Airport, Doncaster Robin Hood Airport, Durham Tees Valley Airport and Humberside International Airport. "Aircraft numbers have grown significantly year-on-year, with the leisure sector showing the highest increase," explained Weston. "We will continue to grow the company by opening new locations and further developing the four locations we have at present with improved facilities and new services."

Aerohub

Aerohub at Newquay Cornwall Airport is the largest planning-free development site in the UK and offers 100% business rate relief. With uncongested and unrestricted airspace, as well as Local Development Orders that mean premises can be built without any planning, Aerohub has proven popular with a number of aviation companies, such as Apple Aviation and Agusta Westland.

The site totals 650 acres and is split into two definitive areas – Airside and Business Park – and two Economic Zones. Weston Aviation is located in the Economic Zones, which measures 45 acres in total.





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European expansion

A recent report from Gama Aviation revealed the fast growth of flights emanating from emerging European economies has been the driving force behind the increase in European business flights over the past five years. *Business Airport International* spoke to Marwan Khalek, CEO of Gama Aviation, about what the results mean for the company

Words | Hazel King

Were you surprised by the results of the study?

It was interesting to see the results reflect our own experience. Over the past five years we have seen a significant increase in demand for our services, so we would imagine this appetite for business travel would translate into a broader trend in the industry. What is interesting is where this growth is coming from: markets such as Turkey and Russia, which are yet to reach maturity in business aviation terms, are seeing a huge increase in the number of daily business departures, while developed business aviation markets like Germany are taking advantage of the trading partnerships with growing countries such as Hungary and the Czech Republic, which is boosting the number of daily departures between these countries.

Why is Turkey playing such a big part in the growth of business aviation?

Turkey's business aviation fleet has enjoyed strong growth in recent years, with 39 deliveries over the period 2010-2014. This has significantly boosted the overall fleet, which now stands at 154 aircraft. Furthermore, Turkey has significantly increased its trade with EU countries over the past decade, with the value of its exports to EU member states increasing by 66% since 2005 according to European Commission data. As Turkish companies grow and discover the benefits of business air travel, this is likely to fuel growth and develop the country's business aviation market.

How has the industry improved in promoting the benefits of business aviation and what impact has this had on growth?

I believe that in recent years business aircraft operators have successfully communicated



the message that private air travel is a valuable business tool. The industry has been hindered by the image of business aircraft jetting millionaire playboys around the globe, although there has been a steady growth in the number of businesses chartering flights in recent years. Furthermore there is a significant pool of businesses across Europe – and indeed the world – yet to exploit the opportunities presented by business air travel, so we expect to see continued growth in years to come as the market experiences further consolidation and collaboration.

What else can be done to ensure the long-term health of the industry?

Business aviation in Europe is very fragmented with a significant proportion of operators currently comprising smaller, boutique businesses that

have no real opportunities to grow, and this is hampering the long-term future of the industry. The global business aviation services market is currently undergoing a fundamental shift from the situation a decade ago when new entrants were able to carry out niche operations; fleet and private owners now want their aircraft to be managed by a well-run, efficient and successful company who, through economies of scale, can pass on major cost savings. This is why we expect the industry to continue to consolidate and, as a result, strengthen the proposition for both companies and clients.

Where is Gama Aviation seeing the most growth in its own operations?

We recently entered the Asian market with a joint venture with Hutchison Whampoa, undertaking management of two large aircraft in Hong Kong. As a developing business aviation market, Asia-Pacific is currently showing strong signs of growth and we expect demand for our services to grow in the future.

How will you continue to grow and improve your business?

Having merged with Hangar8 at the turn of the year, we now operate over 145 aircraft located at 45 operating bases across five continents. We believe that this merger gave us the platform to offer a global service to our clients and we will continue to develop our fleet by undertaking significant contracts to broaden the depth and range of our service. Furthermore, the growth of our managed fleet has allowed us to commence work on renegotiating a number of contracts that will see us be able to pass on significant savings to our client base. 

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“There is no doubt in my mind that FBO chains will continue to grow and that they will compete”

FBO consolidation is not a new trend in business aviation. Consolidation isn't the right word, either. And there is no clear definition of what constitutes an FBO. What the three capital letters stand for doesn't need to be repeated; how the institution came about is old news. There is a difference in meaning between the USA and the rest of the world. In the USA, the operation could include hangaring, maintenance or a flight school. Some believe that an FBO is a building. But then again, in some places it is part of an airport's general aviation terminal. Probably the three words 'multifaceted handling service' are as close to a definition as it gets.

As for the 'call for consolidation' that has recently been mentioned in some areas of the media, one has to consider where that call comes from. A caller is usually a party that has a vested interest to eventually call some shots. If it originates from a consultant, it may be that a niche market has been identified for lucrative activity. If it comes from a chain, it may imply what, in world history, is called 'conquest, extension and consolidation of the empire'. If an independent FBO approaches a chain with a view to being taken over, most likely the first question will be, "Does your operation sell fuel?"

Consolidation could suggest a merger where one business unit absorbs another, which may be called an incestuous marriage of two partners within a group. You may have heard the expression 'debt consolidation', whereby all nagging little debts are turned into one overwhelming obligation. It is possible to cut red tape by consolidation, which is very useful as long as you don't cut any fingers in the process.

Probably the best explanation of consolidation is: 'Increasing the strength, stability, or depth of a person's or a group's success or position.' If it is something else, there are clear words for it: acquisition, takeover, alliance, franchise. Often 'consolidation' is preferred because it comprises several things that make one hope for an improvement. A larger network of clients is an advantage from one perspective; the viewpoint from the customer's side is less choice.

There is no doubt in my mind that FBO chains will continue to grow and that they will compete. Is consolidation of FBOs a universal solution? It is as good as the reputation of using lizard oil with bull sacrifice as a medicinal remedy for all common pains. If an FBO has disabilities, joining an institution such as a chain may be desirable. If a location is unique and there is just one FBO, just an affiliation may be enough. If there are two FBOs, each could join a separate chain – and let battle commence. If there are three, a merger between two of them may be appropriate as three of a kind is often one too many. What happens to the profits after a so-called consolidation? They may go out of town to where the new shareholders are. What about the customers? Some clients prefer a chain, others a boutique.

Would I be against consolidation? No! I just don't like the word. When it comes down to it, all language is a pale and idealistic abstraction. To some, consolidation means annexing and power; to others, surrender or salvation. Giving up independence is hard to swallow. But if it were a good buyout, I'd go all the way and let it be my bye-bye-out. ↩



Commander Bud Slabbaert is an expert in strategic communications and business aviation development. He is also the initiator and chairman of BA-Meetup

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Business jet operators planning a trip to Mexico must prepare carefully if they are to successfully accommodate the roles of the authorities and the military, as well as the many local nuances of the region's airports

Words | **Selwyn Parker**

Military precision



As the military saying goes, reconnaissance is seldom wasted. And that certainly applies to flying in and out of Mexico. The country's aviation infrastructure is busy trying to catch up with the fast-growing popularity of privately owned aircraft and business jets in particular.

Executive aviation is growing more rapidly in Mexico than anywhere else in the region. The registry of business aircraft stands at over 5,000, with operational growth up 10% per year.

And the industry is prospering greatly on the back of all this. Some OEMs and maintenance facilities report revenue increases of more than 50% in the last five years and, according to Alejandro Perez, administration manager at Manny Aviation, "They are expected to grow even faster in the next five years."

The aviation authorities are doing their best to cope with this explosion in private air traffic. The power in all aviation matters lies with the Directorate General of Civil Aviation (DGCA). Its officers – or commandantes – run things from their own command centers at every airport, but they don't all interpret the regulations in the same way.



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Above: **Passengers can relax in a luxury FBO facility at Cancun Airport**

Left: **Aircraft arriving from the south of Mexico or from the Caribbean must land at Cozumel International airport for security clearance**

Be prepared for variations in the way the rules are applied, particularly in the less frequented regions.

With security a nationwide problem, there is a strong military presence in business aviation. Indeed military personnel might turn up on the ramp unannounced and conduct on-the-spot inspections, a process that usually takes around 15 minutes from wheels-down to wheels-up, according to Universal Aviation. The commandantes and their teams also conduct random checks on aircraft, documents and permits. In fact, all aircraft arriving from the south or from the Caribbean must land at Cozumel International or Tapachula International for security clearance, which can involve a military inspection.

Paperwork

Clearly in this environment it is vital to have all the necessary paperwork at hand and excellent Spanish speakers on call – preferably ground handlers who know the ropes and the names of the authorities involved. As Universal Aviation Mexico's general director, Manuel Girault, an expert on business aircraft operations, confirms from experience, "Expect to encounter language

"Expect to encounter language barriers when dealing with local authorities. It's always best to have your ground handler available to ensure there are no miscommunications"

Manuel Girault, general director, Universal Aviation Mexico

barriers when dealing with local authorities. It's always best to have your ground handler available to ensure there are no miscommunications."

As for landing fees, they are based on a nationwide formula that takes into account maximum take-off weight. Parking fees, like much else in Mexico, will vary from airport to airport.

Although crimes in the wider community are all too common, on-airport security is not usually a problem. There are airport police and military to patrol the terminal and ramp areas, but ground handlers can organize extra protection if operators want it. Remember, though, that any armed personal bodyguards will be required to check in their weapons. Prior security briefings should be de rigueur.

Nuances

Although ground handlers and FBOs will pull out all the stops for clients, they are still subject to the authorities. Take, for instance, the all-important prior permission requests and airport slots for wide-body aircraft. As Girault adds, these apply to only a few locations in the country. "But there are several nuances to consider when making requests," he emphasizes. "Always be sure to provide appropriate lead times and be aware of prior permission required (PPR)/airport slot revision policies."

The major airports, for example, require PPRs year-round; others only do so in the high season between November and May; and some insist on them only for wide-body aircraft, defined as those

Cabotage

Are you classified as a 135 operator? If so, you are subject to Mexico's sometimes impenetrable cabotage regulations. Essentially, a 135 operator is a non-scheduled commercial airline holding a single-shot authorization or an international blanket permit. And that entitles the operator to fly commercially – that is, for remuneration – in and out of Mexico, but not between two points within the country. That privilege is reserved for Mexican-registered carriers.

In principle it's simple – cabotage applies to any territory that has signed up to the Chicago Convention. As Romero-Vargas at Manny Aviation Services, explains, "The two basic considerations are if it is a commercial operation, and if two or more points within

the same territory are being served." Technical or fuel stops don't count as cabotage.

So far, so clear. But Mexican regulators are prone to interpreting the Chicago Convention in their own way, particularly with regard to retrieving passengers from within Mexico. For some FBOs this has been a bone of contention for years. Normally, there's no breach of cabotage regulations when a passenger is picked up and flown to anywhere outside Mexico. However, as Romero-Vargas puts it, "Certain authorities interpret that provision in many different ways. And perhaps in a way where they can benefit from their particular point of view."

In practical terms, the authorities often rule that passengers can be retrieved only

by the same operator that flew them into Mexico in the first place. Most operators will likely need an FBO to go into bat for them on this issue just so they are clear.

There is, however, some good news. Reversing an earlier ruling, in mid-2014 the DGCA made life easier for foreign operators by permitting them to fly to Mexico on private non-revenue flights, even though they are on a charter certificate. In other words, such operators can do non-revenue but not charter flights.

Just to make sure operators comply, the DGCA is tracking all flights. And be aware, warns Universal Aviation, that some commandantes in outlying airports still interpret the regulations in their own way.

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Above: **Aerotron's Guadalajara Don Miguel Hidalgo International Airport facility**

Left: **Operators should refuel on arrival in Mexico as fuel is provided on a first-come, first-served basis**

Below: **ExecuJet has been operating in Mexico since 2002 and has facilities in Monterrey and Toluca**

with a cabin width of more than 15ft. Generally, at least 72 hours' notice should be given and the application should be made to the local airport authorities rather than the DGCA.

Progress

The industry is still playing catch-up, but the number and quality of FBOs is improving all the time. Puerto Vallarta-based Aerotron has expanded into Guadalajara's Don Miguel Hidalgo International, Mexico's third-busiest airport. It boasts hangar space capable of accommodating a single-engine to a BBJ. Its state-of-the-art ramps have 150,000ft² of space in each location plus stainless-steel fuel trucks on-site. Aerotron promises to offer services at any moment without delay. Its 8,300ft² terminal has passenger and crew lounges. The FBO's DGCA-approved maintenance facility is licensed for Citation 650s, Cessna Caravans and Pilatus PC12s.

The busiest airport for corporate jets is Toluca, an important industrial zone. The airport is the closest business and general aviation airport to Mexico City and is only a 30-minute drive to Sante Fe, the country's financial and business district. With a runway spanning 13,700ft in length, the airport is capable of accommodating all aircraft.

Predictably, it's the base for more FBOs than anywhere else in the country. Long-established Manny Aviation provides authorizations (overflights and landing), computerized flight plans, plane-side security, as well as customs and immigration, inflight catering, weather information and NOTAMS and, if necessary, advice on aviation law.

Manny Aviation's president and chief executive was the late 73-year-old Manuel 'Manny' Romero-Vargas, a pioneer in the industry who continually invested in technology, equipment and developing jobs in the local community. The company coordinates ground support and ground handling services through the FBO network that it works with in Mexico and has plans to expand its services. "We are looking at establishing a

partnership with existing FBOs that will add more value to our operation, and taking the next step to become a full service FBO by joining forces with an organization that matches the way we conduct the coordination of ground support services," explains Manny's son Manuel Romero-Vargas, who has taken over the business.

ExecuJet, which has had operations in Mexico since 2002, has posted what the FBO describes as "incredible growth over the last two years". The FBO at Toluca can do just about anything – maintenance, charter, sales, consultations on completions and aircraft management. Signature

Flight Support is also opening a new facility at Toluca (see *Company first* on page 22).

Another busy airport for business jets is Monterrey del Norte near the US border and a favorite destination for aircraft based in the hubs of Atlanta, Chicago O'Hare, Dallas/Fort Worth, Las Vegas and others. Another long-established Toluca-based operator, Aerolineas Ejecutivas runs charter and air taxi services out of Monterrey for a growing clientele including government leaders. Like most other FBOs, the 45-year-old Aerolineas Ejecutivas is spreading itself around Mexico – in 2011 it opened bases in Culiacan and Merida in the northwest region.

The Asur del Sureste airport group is growing its footprint. It operates nine airports including Cancun, Cozumel, Huatulco, Merida, Minatitlan, Oaxaca, Tapachula and Veracruz. Cancun, Merida and Veracruz service operators from within Mexico, USA and the wider Latin American region.

The quality of technical facilities is also rising steadily, as International Corporate and Cargo

"Always be sure to provide appropriate lead times and be aware of prior permission required/airport slot revision policies"

Manuel Girault, general director, Universal Aviation Mexico





Above: **Ground handlers can help with any language barriers operators may encounter**
 Left: **Mexico received 12% of the total business jet deliveries to Latin America in 2013**

"Between Toluca and Mexico City, we save passengers about one hour on a single trip, but in rush hour, the time saving can be as much as two hours"

Carlos Javier de la Paz, chief executive, HeliGroup

Services (ICCS) can vouch. As well as providing the usual ground-handling services, its flight coordination center is equipped with the latest flight tracking systems, weather information, automated arrival and departure screens, and closed-circuit video.

Fuel

The monopoly on jet fuel and avgas supplies held by state-owned Pemex keeps prices up relative to North America. Ground handlers suggest operators come equipped with a fuel card because it reduces the cost. Operators should also

be sure to refuel on arrival because aircraft are topped up on a first-come, first-served basis and priority is given to commercial aircraft, as in most other places. Delays in refueling are common.

Time is money

Imagine the scene: The aircraft has landed at Toluca International, but now the passengers need to get to Mexico City and the roads are congested. It can take between one and three hours to travel the 39 miles to the capital by car. The fastest solution is a helicopter, which takes around 20 minutes. HeliGroup, which works

with Manny Aviation at Toluca, is busy ferrying businesspeople to and fro for between US\$1,200-US\$5,000 a flight, depending on the size and model of the helicopter.

"Between Toluca and Mexico City, we save passengers about one hour on a single trip, but in rush hour, the time saving can be as much as two hours," HeliGroup chief executive Carlos Javier de la Paz explains.

Because of Mexico's often chaotic traffic and security issues on public roads, helipads have sprouted like mushrooms and HeliGroup provides access to most of them. "We do our best to ensure passengers land as close as possible to their destination," adds de la Paz. HeliGroup's services are also in demand at other congested airport-city routes, such as Puebla International and Querétaro International, both located near Mexico City.

In general, though, operators will not go far wrong in Mexico if they do their homework and are sure to tap local knowledge. [✈](#)

Company first

Signature Flight Support announced at EBACE 2015 in May that it will open its first Mexican location after signing a letter of intent to license Fly Across' FBO at Toluca International Airport.

The newly constructed FBO, which will be branded Signature Flight Support, consists of a three-story FBO and executive terminal and

50,000ft² of hangar capable of housing the newest generation of heavy business jets.

The facility will also include drive up access to three, individual, secure and exclusive VIP suites – a feature not seen before in the FBO industry.

The FBO and hangar facilities are now operational and will begin offering the Signature suite of amenities and services over the next few months.

Maria Sastre, president and chief operating officer of Signature Flight Support, says, "We are extremely excited that we will be licensing Fly Across and add our first location in Mexico. This extraordinary location is one of the finest FBOs in Latin America and



Above: **Signature's Toluca FBO will have unique drive-up access**
 Left: **The facility will accommodate heavy jets**



will offer our customers Signature Flight Support's world-class service experience. Toluca is a significant addition to the growing Signature Flight Support network and we couldn't be more pleased to have a partner such as Fly Across."



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Safety first

Fuel is the lifeblood of aviation, and FBOs and ground handlers must ensure they adhere to strict safety standards to meet industry requirements

Words **Saul Wordsworth**



From parking and maintenance to helping aircraft maintain tight flying schedules, aviation operations managers face many challenges. In the high-risk FBO business, safety remains the top priority. Nowhere is this truer than in the realm of fuel management.

"The mishandling of aviation fuel can result in serious injury or loss of life," says Sam Crooks, operations and technical manager at Gulf Aviation. "It is therefore crucial that anyone involved in any stage of the fuel handling process follows trustworthy best practice."

The foundation of any fuel safety methodology is the quality of the fuel itself. The aim of an aviation fuel supply chain is to ensure that all fuel is fit for purpose at the point of use. Fuel is one of the few single failure modes within aviation; other flight critical systems are typically either duplicated or designed to be failsafe. The high quality of fuel is maintained by ensuring appropriate barriers are in place to meet stringent specifications.

Victoria Guy, general manager of health, safety, security and environment (HSSE), operations, technology and supply at Shell Aviation, explains, "The safety aspects of fuel handling are all pervasive, from detailed assessment and testing of fuel properties, through handling and equipment standards in





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Above: **Air BP provides Material Safety Data Sheets to give customers information on the safe handling and storage of all its products**

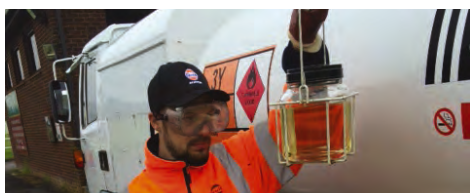
Below: **Fuel should be checked daily for impurities**

the supply chain, to traceability and testing of fuel throughout its journey from the refinery to the airport. These are all aspects of a well-developed quality management system and are designed to ensure that the fuel is fit for purpose when it is loaded into an aircraft. The supply chain is only as strong as its weakest link and this is why great care is taken to manage compliance and continually improve standards."

"FBOs must consider that fuel quality can deteriorate over time," says Crooks. "Aviation fuel must be quality-control checked daily for water and other possible contaminants. For FBOs there must be a high level of confidence that the fuel they provide to an aircraft meets regulatory standards of quality in terms of specification and cleanliness. When an off-specification product is used, fuel quality is jeopardized and the risk of engine failure in an airplane will increase. Another issue for FBOs is the correct fuel payload requirement of each aircraft, as the loading of an incorrect fuel quantity is likely to affect the plane's endurance, performance, balance or structural strength during flight."

Safety considerations

Ensuring that all staff involved in fuel handling are professionally trained and that supervisors



Price point

The price of fuel can affect an FBO's fortunes. Each week IATA updates its jet fuel price index using the latest price data from the leading energy information provider, Platts. The index and price data shows the global average price paid at the refinery for aviation jet fuel on the reported date. Platts' jet fuel price index is calculated using the organization's proprietary daily assessments for jet fuel spot prices in the relevant regional centers. When a market is not assessed on a particular day, for instance because of a market holiday, the previous working day's spot assessment is used.

Each of the individual Platts assessments is given a weighting by Platts in the regional

baskets, based primarily on uplift data and trading volume. In a similar way, each of the regional indices is given a weighting in the global composite index. These values are compared with average spot prices in 2000, similarly weighted by uplift during that period, to generate a percentage figure reflecting the overall rise in markets compared with the base period. As an example, an index value of 200 reflects a doubling of price since the year 2000. According to Platts, the fuel price average for 2015 is US\$71.60 per barrel.

Source: <https://www.iata.org/publications/economics/fuel-monitor/Pages/platts-methodology.aspx>

According to Platts, the fuel price average for 2015 is US\$71.60 per barrel

practice due diligence in enforcing protocols are the most important measures to safeguard all fueling operations. "The main consideration is fuel contamination," says Miguel Moreno, general manager of general aviation for Air BP. "If there is a problem in this area, the consequences can be severe, which is why it is essential to completely understand how to handle fuel correctly." Staff must properly sump (drain water and sediment out of the fuel tank via a faucet) or inspect equipment and filter vessels as required, to ensure the aircraft fuel system is kept clean.

Aviation fuel is a hazardous substance and shouldn't come into contact with skin – negligent handling may result in a number of

health problems. Runoff can have an impact on environmental requirements and poor handling could result in a fire on the ramp. Flight crews should always be present during the fueling of their aircraft, and if they have any concerns, should request to see the facility's documentation on fuel testing, inspections and ramp staff certifications. Of particular importance are issues surrounding the use of incorrect fuel. Twice in the past year this has had fatal consequences (see *Fuel mishandling* on page 29).

Incidents

"In our industry, safety is considered a given by many, though establishing and maintaining

"For FBOs there must be a high level of confidence that the fuel they provide to an aircraft meets regulatory standards"

Sam Crooks, operations and technical manager, Gulf Aviation

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certain standards takes effort, investment and dedication,” says Guy. But inevitably incidents do take place. Fuel spillages are common, equipment maintenance and storage isn’t always what it should be, and misfueling continues. A particular case of poor fuel handling has been held up as an example by Joint Inspection Group (JIG), the industry body that acts as a forum for the international aviation fuel industry and helps establish and enhance standards. In its *Learning from Incidents* report, JIG reported that a fueling operator drove to an aircraft and noticed that there was no fuel grade ID marking at the aircraft’s fill point. He wrongly assumed that the aircraft took Jet A-1 fuel and began fueling the plane. Neither the pilot nor the FBO operators realized that the plane was being misfueled. It was only after a third party observed the error that the mistake was spotted. The plane was then quarantined and drained of the incorrect fuel.

“The industry has fostered a healthy culture of reporting and sharing of lessons from incidents, potential incidents and near misses so that standards can be continuously improved across the supplier base,” explains Guy. “At our end, we reward consistently high HSSE performance through incentivized schemes, audits and training to strengthen our safety culture even further. Our airport operations

teams are supported and encouraged to intervene if they see an unsafe situation and to formally report it so that we can continue to learn from all experience.”

“Staying up-to-date with the training and fuel handling requirements set forth by the industry and local authorities is critical to ensuring that safety is never compromised,” says Brad Van Camp, technical operations manager with Avfuel. “Vigilant observation, consistent hands-on training and no tolerance for non-compliance are all key in the delivery of clean fuel and maintaining safety on the ramp. Habits are hard to break, and once staff make proper protocols habitual, it makes supervisors’ jobs easier and the operation safer and more efficient.”

Industry-recognized qualifications

In the USA the National Air Transportation Association (NATA) provides a comprehensive training program for fuel handlers called Safety 1st. It is a well-recognized industry standard. Meanwhile the International Business Aviation Council (IBAC) and NATA recently introduced the International Standard for Business Aircraft Handling (IS-BAH), a set of global best practices for business aviation ground handlers that features at its core a safety management system (SMS). IS-BAH will provide standardization to



Shell carries out regular auditing and staff training to ensure high safety standards

handlers and operators around the world to meet the coming SMS requirements from ICAO.

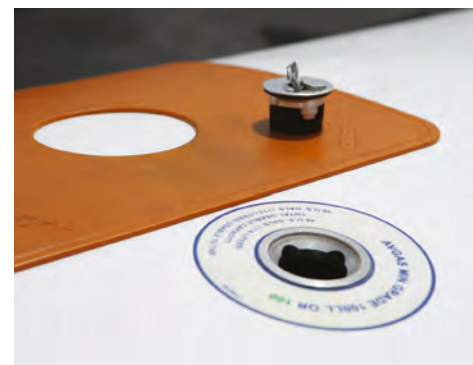
“At this time, required certifications vary based on the type of fueling operation and location,” comments Van Camp.

FBO training

There are a number of reputable quality control and product handling courses available for airside operators to complete, mostly provided by the fuel providers and FBOs themselves. The courses are held in high regard in the industry and are readily accepted by most regulatory aviation authorities.

In the USA and Canada, EPIC Aviation has risk management specialists who visit FBOs annually to conduct quality-assurance audits. These visits are designed to help provide assurance that standards are followed. Additionally the company provides risk management checklists that help monitor proper procedures and track that all key steps in quality control are part of the routine process.

“Ultimately any FBO must have an approved training program designed to provide their



Above and left: Tanks should be drained and filters checked to make sure contaminants do not enter the fuel system

Fuel mishandling

There have been two incidents in the past year related to poor fuel handling that resulted in the death of five people. Both aircraft required avgas and both were misfueled with jet fuel. In one of the incidents, which took place at Spokane Felts Field in Washington state, the fuel tanks ruptured during the resulting crash and investigators reported a strong smell of jet fuel at the site. The flight log uncovered by the FAA discovered that the aircraft had indeed been refueled with 52 gallons of jet fuel rather than avgas. It is likely that due to the intense heat in the engine, the pilot would

have noticed an increase in temperature prior to complete engine failure. The final report could take a year to complete.

“There is a multi-step industry standard procedure designed to prevent accidents like this, and the procedures were not followed,” says Michael Rooney, chief risk officer with EPIC Aviation. “While the current version of NATA Safety 1st training addresses aircraft misfueling prevention, FBOs and fuel providers are currently working with NATA and other industry partners to develop an enhanced, standalone misfueling prevention training module.”



Right: **EPIC Aviation has a network of FBOs throughout the USA and Canada and provides comprehensive fuel safety training**

employees with all the resources necessary to ensure they develop the proper skills to carry out each task or service safely and correctly," says Michael Mooney, EPIC Aviation's chief risk officer. "We provide our FBOs with an economical pathway to achieve this by teaming with NATA to access the Safety 1st program."

"Shell Aviation conducts more than 400 safety audits and inspections every year at our airport facilities around the world to ensure asset integrity and process compliance of our sites," says Guy. "We also carry out process safety and asset integrity reviews. From the receipt of incoming fuel to safe into-plane delivery, every stage is accounted for through stringent refueling procedures. We offer airports, FBOs, airlines and facility operators a suite of tools to enhance safety and operational standards through our Technical Services Agreements (TSA)."

As part of Shell's TSA, customers get technical and operational support, jet fuel quality assistance, aviation fuel product quality management systems, interpretation of fuel certification data, and management of product quality incidents, training and inspection programs.

Meanwhile Avfuel has developed its own comprehensive fuel safety and quality assurance training. The program is delivered in a simple online format and is designed for new employees and recurrent training. It consists of 11 modules with video and testing components. Fuel supervisors can train and test their staff as often as needed and through special reporting on test results can quickly identify areas that need additional instruction.

"Our in-house fuel quality assurance team's complete focus is on assuring fuel integrity," says Van Camp. "This group has extensive experience and exhaustive knowledge of the safe handling of fuel as it moves through the entire value chain from the refinery to the wing of the aircraft. They are dedicated to supporting our branded



"Taking the extra time to ensure that procedures are followed is the best system for maintaining fuel quality"

Brad Van Camp, technical operations manager, Avfuel

network by providing on-site training at the FBO, educational seminars, 24-hour troubleshooting and consultation."

Air BP has devised a full customer support product called OMEGA that combines a comprehensive operations manual with implementation support and training so that Air BP customers can achieve high levels of operating standards when supplying fuel.

"OMEGA sets out advice about how staff should manage the fuel from arrival at the airport facility, to its safe storage and quality testing, to moving it around the airport and filling aircraft tanks, along with how to maintain equipment and respond to problems," explains Moreno. The company uses its own in-house training team to deliver this bespoke training.


Technology

There is some exciting technology available today that aids the refueling process. Notable among these is a system developed by QT Technologies that interfaces between fuel dispatching and the refueling equipment to prevent over- or under-fueling an aircraft. Another basic device developed many years ago for use in preventing aircraft misfueling is the J spout. Unfortunately, to make it more convenient for FBO refueling personnel, there have been instances where FBOs have allowed these devices to be removed from refueling equipment, resulting in aircraft being fueled with jet fuel instead of avgas.

"In terms of special technologies available to assist with safe fuel handling, fuel testing equipment is available that eliminates some manual processes," comments Van Camp. "However taking the extra time to ensure that procedures are followed is the best system for maintaining fuel quality."

Penalties and insurance

Generally, if FBOs are found to be non-compliant in fueling by the FAA, the CAA, through JIG inspections or other bodies, heavy fines can be imposed and airbase operating licenses removed if they feel that safety has been put at risk. In the event of incidents, insurance companies handle settlements. Many take months or even years to pass from court to settlement.

Many FBOs offer excess products liability insurance as well as insurance products to other qualified FBOs who meet their high safety standards. Such programs are designed to help FBOs increase their coverage and lower their costs. Overall there is a strong insurance market for aviation products liability and airside coverage, and it is readily available. 

Fuel price risk management

At any given time, the aviation industry is challenged by a large and varied number of factors: boom-bust revenue cycles, government regulation, and new safety and labor standards, to name a few. However, the price of aviation fuel is always a vital issue for all commercial operators, and business aviation and cargo carriers. As a global oil product, jet fuel's price is notoriously volatile and can be greatly influenced by mere



headlines from the Middle East, or weather forecasts for hurricanes and blizzards. Also, fuel is the largest operating expense for most types of aviation operators – well exceeding labor, maintenance and other cost categories.

To assist its business aviation clients in managing fuel costs, World Fuel Services offers an array of price risk-management ('hedging') products, including fixed forward prices on physical supply, and financially settled hedge instruments such as swaps and options. These products can be customized for a budget lock strategy or for price protection on a portion of future fuel purchases. World Fuel Services can assist with analyzing exposures and developing and implementing strategies – both as a physical fuel supplier as well as a strong financial counterpart.

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Swap shop

Business Airport International examines the intricate workings of the timeshare scheme for private jets in the USA

Words | **Liz Moscrop**



Illustration: Arunas Kacinskis

Challenger 300
 Bombardier
 Part 91
 3,567 miles
 553mph
 64ft
 38,856 lb
 15
 New York, USA

FALCON 2000LXS
 Dassault
 Part 135
 4,603 miles
 403mph
 70ft
 42,800 lb
 20
 Madrid, Spain

CITATION SOVEREIGN
 Cessna
 Part 135
 3,671 miles
 529mph
 72ft 4in
 30,775 lb
 15
 Milan, Italy

CITATION SOVEREIGN
 Cessna
 Part 135
 3,671 miles
 529mph
 72ft 4in
 30,775 lb
 15
 Milan, Italy

G450
 Gulfstream
 Part 91
 4,859 miles
 581mph
 77ft 10in
 73,900 lb
 20
 Frankfurt, Germany

LEGACY 650
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 3,765 miles
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 You're in the USA, where your friend owns a private jet. She says you can rent it and her crew at a discount, which seems like a great deal all around – you get cheap charter and she gets some money from an aircraft that would otherwise be idling on the ground.

What's not to like? Well – it's illegal. Although there is little chance you would get caught by FAA or Department of Transport officials unless there is an accident; in such an event any repair and legal costs would be astronomical.

As a rule of thumb, charging for a flight (or to receive benefits from a flight, such as the flight itself) is permissible only for flights operated by a commercial carrier – an airline or Part 135 charter operator. Part 135 operators must comply with higher standards than Part 91 operators in crew training, aircraft maintenance, record keeping and other requirements.

So, tempting though your friend's offer is, there are better, lawful ways to wing your way around the USA. It is understandable why such scenarios happen. It's great to own a jet, but to be cost-effective, full ownership generally requires a minimum level of use, which is generally at least 250 flight hours per year. Of course sharing costs is possible via a formal co-ownership agreement, whereby multiple individuals or companies share the airplane, and when operating it, each is responsible for providing flight crew. However,

aircraft co-owners are not able to charge each other for operating the aircraft.

Interchange agreements

This is where interchange agreements enter the field. The idea arose from the FAA's prohibition on receiving compensation for aircraft operated under Part 91 of the Federal Aviation Regulations (FARs). In 1972 the administration acknowledged that there were plenty of time-trading arrangements happening, so decided to legalize them. Since it had used the term 'time sharing' to refer to a quite different arrangement (see *Time share agreement*, page 36), it chose to call these agreements 'interchanges'. The point of an interchange agreement is to maximize use of both jets, allowing you to target a more appropriate aircraft for a given mission.

Legally an interchange agreement is an "arrangement whereby a person leases his airplane to another person in exchange for equal time, when needed, on the other person's airplane, and no charge, assessment or fee is made". Basically it is only a time swap – a very narrow understanding that is useful for two or more companies or individuals, when each owns an aircraft and wants to swap time. This has to be on an hour-for-hour basis, but it is possible to levy an hourly charge for the difference in operating costs between the types of aircraft.

For example, if you have a Falcon 2000LXS and your counterpart has a Hawker 4000, you would effectively be paying the Falcon costs should your counterpart wish to use the Hawker for another type of mission, so you would be out of pocket without this clause.

Interchange agreements are restricted to US-registered aircraft that are eligible to operate under FAR Part 91 Subpart F and fall under the following groups:

- The aircraft has a maximum take-off weight of over 12,500 lb;
- The aircraft is a multi-engine turbojet aircraft (regardless of size);
- The aircraft is part of a fractional program (regardless of size);
- Piston airplanes, small airplanes and all helicopters operated under the National Business Aviation Association (NBAA) Small Aircraft Exemption can also make use of the cost reimbursement options allowed.

An interchange agreement can be an enticing opportunity for business jet owners. The rule allows them – in the FAA's words – "to augment or more fully utilize" their aircraft. Ideally, the exchange would maximize use of both jets and in many cases allow owners to target a more appropriate aircraft for a given mission.

However, Joanne Barbera, founding partner of law firm Barbera & Watkins, explains, "You

Small aircraft exemption update



The FAA recently announced that it is extending the NBAA's Small Aircraft Exemption until the end of March 2016. Exemption 7897G permits operators of piston aircraft, small aircraft and helicopters to use certain cost-sharing options contained within FAR Part 91 Subpart F. The NBAA cites interchange agreements as an example.

Part 91 Subpart F would otherwise limit the cost-sharing options to use aircraft weighing more than 12,500 lb, multi-engine jets, or aircraft used in fractional programs. The exemption only applies to NBAA members and does not include using aircraft under Part 135 or in fractional programs.

Since many small aircraft fly to international destinations, the NBAA has asked the FAA to remove limitations on the use of the exemption for operations outside the USA. The FAA is now reviewing whether such a move would comply with ICAO standards.

Should it go through, it would be a shot in the arm for the association's members. Doug Carr (pictured left), the NBAA's vice president of regulatory and international affairs, explains: "The NBAA is pleased that the FAA continues to recognize the importance of this tool to NBAA member business aircraft owners seeking to maximize the efficiency and usability of a small aircraft."

"The NBAA is pleased that the FAA continues to recognize the importance of this tool to NBAA member business aircraft owners seeking to maximize the efficiency and usability of a small aircraft"



should use caution before entering into an [informal] interchange agreement, to avoid regulatory violations and subsequently invalidate insurance coverage. Generally swapping time, services or anything of value with another aircraft owner is a direct violation of the prohibition against receipts of anything of value in exchange for flights, unless an exemption exists. Establishing a formal interchange agreement protects you and the aircraft."

So back to your tempting offer. Unless your friend's aircraft is on a commercial certificate, she cannot use it to provide transportation in exchange for compensation. She could lease it to someone who provides their own pilots, but if she pays even one crew member and compensation is involved, the FAA will deem the flight commercial.

Hourly costs

Another thing to be wary of is the clause for the difference in hourly costs, which allows her to charge an amount "not to exceed the difference between the cost of owning, operating and maintaining the two airplanes". Evidently that can be more than simply direct operating costs. It works well if your friend agrees to swap 10 hours per year with the other owner. He has to pay the difference, so it's a fair exchange. However, the agreement falls down badly should she fly five hours rather than 10. What the FAA calls a 'true-up' provision in the agreements allows her to adjust for the hourly cost difference for the five hours, but not for the fact that she flew only five hours.

So converting the other five hours to a timeshare with a preferential leasing rate would seem to be a good option for your friend. Under those circumstances an operator can request limited reimbursement for a flight. Payments are confined to a specific list of out-of-pocket expenses associated with the flight, including an amount equal to twice the cost of the fuel used, crew travel and subsistence expenses, hangarage, insurance, customs, concierge and food and drink on board, flight planning and weather, plus landing fees and airport taxes.

However, since the FAA believes it has made provision for simple exchange of hours through the interchange agreement, it would not allow your friend to convert interchange agreements to timeshare for the remaining five hours. In other words, it's well worth her really doing her sums beforehand.

"The main pitfall of interchange agreements is that rarely are the two entities interchanging identical aircraft and therefore there can be a price difference," explains Nel Stubbs, vice president/co-owner, Conklin & de Decker. "Rarely does an interchange result in equal time on each aircraft, normally one aircraft is used more

Timeshare agreement

According to 14 CFR §91.501(c)(1) of the Federal Aviation Regulations, timesharing is "an arrangement whereby a person leases his airplane with flight crew to another person, and no charge is made for the flights conducted under that arrangement other than those specified in paragraph (d)". These charges include fuel, oil and lubricants; travel expenses for crew; hangar and tie-down costs away from the aircraft's base of operation; insurance; landing fees and taxes; inflight food and beverages; ground transportation; flight planning and weather; and an additional charge equal to 100% of the aforementioned expenses. A good description of timesharing agreements can be found at

www.nbaa.org/admin/options/timeshare



"The main pitfall of interchange agreements is that rarely are the two entities interchanging identical aircraft and therefore there can be a price difference"

Nel Stubbs, vice president/co-owner, Conklin & de Decker

than the other and there is no means under the interchange to make up that difference."

Another thing to be mindful of is the Federal Excise Tax (FET) due on interchanges. "The value of the interchange is subject to the US Commercial FET and it is considered a commercial operation in the eyes of the IRS," says Stubbs. The IRS suggests that the tax applies to a flight's "fair market value". On a longer flight in a large jet that could be a pretty hefty figure, so it's well worth calculating potential trips ahead of time and considering whether timesharing could be a better option.

Extra considerations

There are other points to analyze before entering into an interchange agreement, the key issues being the types of operations required, who is using the aircraft, and whether there will be any non-US citizens on board. Of course, the major distinction is whether the aircraft is going to be used commercially or not, the former requiring a Part 135 certificate. So if your friend's counterpart opts to use her Falcon for charter, that's acceptable if he has a Part 135 certificate, however she must transfer "possession and custody" of it to him for the whole time he's using it.

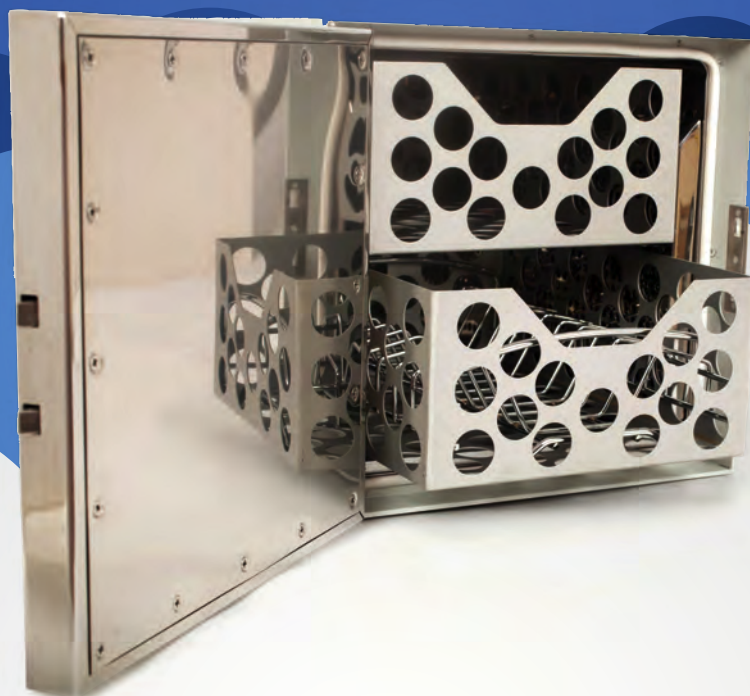
Even Part 91 has its own set of fundamentals to adhere to. Who will operate the aircraft? Will it be the registered owner? Is it a wet or dry lease (with or without crew)? Will there be passengers on board? The operator accepts responsibility for the flight taking place legally and safely. If the Part 91 operator is someone other than the registered owner, generally that operator must dry lease the aircraft from the registered owner. Dry leases for aircraft with an MTOW of more than 12,500 lb must also comply with Part 91 'Truth in Leasing' requirements.

These include the fact that the lease must be in writing and a copy must be mailed to the FAA Technical Section within 24 hours of its execution. It is also imperative to notify the nearest Flight Standards District Office at least 48 hours in advance of the first flight, and operators must carry a copy of the document on the aircraft.

The rules are just as strict for interchanges between companies. The flight must be used for business purposes and a company must be able to "recall an employee at any time". Companies must also maintain records on a flight-by-flight basis.

A strong interchange agreement could be just the ticket for making more efficient use of operating a jet. However, there's a lot to understand. Dawn Rogers, of aviation law firm Jackson and Wade, urges, "To avoid ineffective agreements, make sure you consult with a corporate aviation attorney. Doing so can help reduce unexpected fees and ensure FAA and IRS compliance." ✈

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As Germany's financial capital, Frankfurt is a popular destination for business aviation users, and there are plenty of facilities to cater for this growing market

Words | **Selwyn Parker**



Affluent, proud and in a hurry. That's Frankfurt, the financial capital of Germany. The city may be only the fifth biggest in the country but it boasts a disproportionate amount of wealth. It's the home of some of the world's biggest trade fairs and is Germany's transportation hub.

By default, therefore, Frankfurt attracts more than its fair share of corporate flights. And many of the passengers are bankers and insurers. Frankfurt, is after all, the base for the European Central Bank, the German Federal Bank, the headquarters of large commercial banks and insurance firms, the Frankfurt stock exchange and the Frankfurt Messe.

The volume of corporate aviation traffic jumps several times a year and particularly during the biggest trade fair of them all, the Internationale Automobil Ausstellung – the world's best-attended automotive show – when every available parking space is taken up at the region's general aviation airports.

Frankfurt has been defying a downturn in corporate traffic. Although the number of corporate jet movements fell across most of Germany in 2013, according to the latest available figures from WingX-Advance, the Hamburg-based aviation intelligence firm, they increased in Frankfurt to 2,934, up by more than 5% over 2012. The private jet market in Germany, which has more movements than any other European country except France, is predominately domestic.

Frankfurt's status as a financial center and a preferred location for high-net-worth individuals clearly makes it a magnet for business operators. But another big attraction is that, once they've arrived, passengers can get to any other major German or European city by high-speed train. Frankfurt Central Station is one of the largest terminals in Europe and a hub for ICE (intercity express) services. There are no fewer than 185 rail connections a day that link the airport to dozens of Western European cities.

Main image: **Frankfurt Main's central location makes it popular with business aviation operators**

Inset above: **There are strict noise restrictions at Frankfurt Main**

Right: **Thousands of visitors attend the Internationale Automobil Ausstellung show every year**

Airports

Corporate aircraft have four airports at their disposal – the giant Frankfurt Main, Frankfurt Hahn, Mainz Finthen and Frankfurt Egelsbach. However Mainz Finthen, which is close to Frankfurt Main, has a runway only 3,281ft long and is rarely used by corporate operators. That means, as Universal Aviation points out, that Frankfurt Main, Frankfurt Hahn and Frankfurt Egelsbach are the destinations of choice. Of these, Frankfurt Main scores best for accessibility because it is only 10 miles from the heart of Frankfurt, while Frankfurt Hahn is 80 miles away. Just southeast of Frankfurt Main is Frankfurt Egelsbach, which is majority-owned by NetJets.



As well as being an important base for the fractional jet operator, it's a haven for general aviation as it does not cater to commercial airlines.

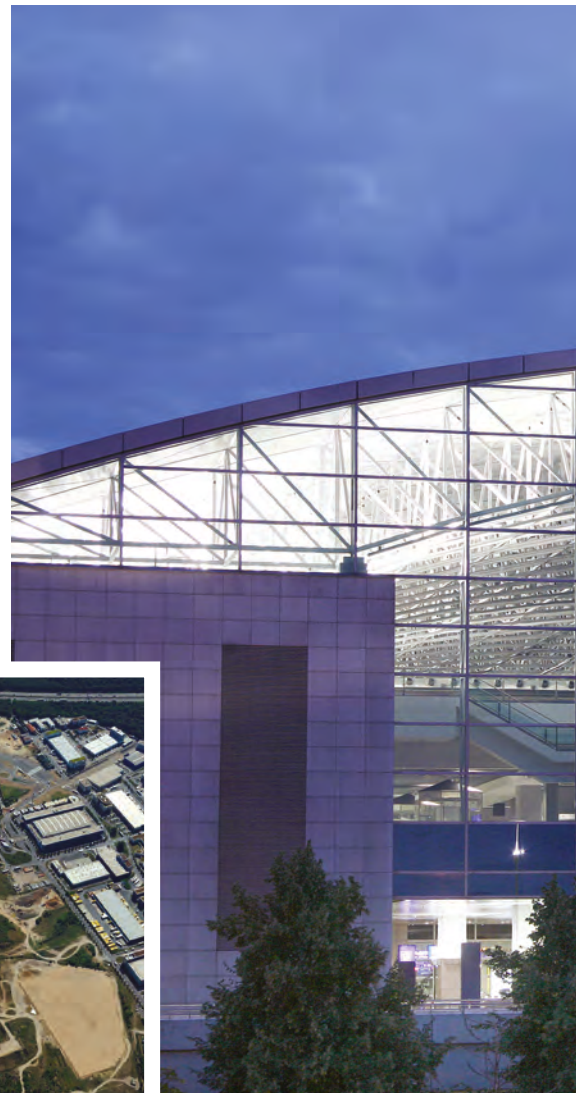
Whichever airport operators choose, noise abatement is an issue, particularly at Frankfurt Main. As Robert Moya, Universal Aviation's team manager in the region, explains, "There are restrictions on stage three movements at the airport between 10:00pm and 5:00am and a 24-hour ban on stage two operations as well as other limitations on activity during the night." Regulations are not so restrictive at Frankfurt Hahn. The airport is available for general aviation

day and night, but stage two restrictions are in place between 10:00pm and 6:00am.

The reason for the increasingly tough regulations is that the area is densely populated and noise abatement has become a sensitive topic among communities surrounding all airports. The issue is being handled at the top level and all carriers are under pressure to reduce noise levels during take-off and landing. The Fraport authority is leading the campaign under the banner of the Alliance for Noise Abatement. Under pressure from politicians and the local population, penalties are regularly applied to airlines that exceed noise levels as an incentive to employ quieter aircraft.

Fraport, which itself has to pay compensation for noise based damage to nearby residences, takes the campaign very seriously. "We are seeing greater sensitivity among the population to sources of noise, irrespective of the carrier in question," says Dr Stefan Schulte, chairman of Fraport's executive board. That's why Fraport has invested in a satellite-supported, ground-based augmentation system (GBAS) that allows aircraft with corresponding equipment to land on the south and center runways at a raised approach angle of 3.2°.

Frankfurt Egelsbach has been running a quiet airport program since 2009. NetJets takes noise abatement seriously. Most of its fleet at Frankfurt



Corporate jet movements increased in Frankfurt to 2,934 in 2013, up by more than 5% on 2012

Egelsbach are between 11 and 21 decibels quieter than even the strictest international standards and, in order to reduce the local population's exposure to maximum noise levels, its pilots are instructed to fly at high levels on approach and to make steeper descents.

Long stays

Almost a city in itself, Frankfurt Main International Airport bends over backward to accommodate business people. It boasts a cluster of business-friendly hotels such as the 209-room Park Inn by Radisson and the sumptuous Hilton Gardens, with skywalk access to Terminal 1.

Over the years the hotels have grown larger. The 570-room Steigenberger has 40 conference rooms capable of holding 950 participants. Even larger is the InterCity hotel, with 900 rooms and 54 conference centers. And biggest of all is the 1,008-room Sheraton Frankfurt.

Connectivity is important in Frankfurt. The Sheraton lies within a few minutes of Terminals 1 and 2, right next to the ICE and regional train stations as well as the A3 and A5 highways, some of the busiest interchanges in Europe. The Steigenberger is just four minutes from the airport by a free 24-hour shuttle. And the Hilton Gardens sits just above the main station.

Although Frankfurt Main is one of the busiest commercial airports in Europe, it is possible for business operators to arrange for extended stays. It is, however, important, warns Universal Aviation, that parking arrangements are organized well in advance. There is also generally space at Frankfurt Hahn, where confirmation of a prior permission required (PPR) pretty much guarantees extended parking. It may, however, be necessary for ground handlers to reposition aircraft occasionally. If so, crew are notified and may elect to be present or not.

At both airports however, slot priority goes to scheduled commercial aircraft and there is generally no hangar space for general foreign operators. It was for these and other reasons



Above: **Business-friendly hotels like the Hilton Gardens make Frankfurt Main an attractive choice**
 Right: **Mainz Finthen airport has a short runway and is rarely used by corporate operators**



Main image: **Frankfurt Hahn's general aviation terminal**

Below: **NetJets bought Frankfurt Egelsbach in 2009 to ensure general aviation was well catered for in the city**
 Below right: **Hahn caters for commercial and general aviation flights**



"Business aviation is not a luxury but a vital economic tool"

Dr Bernd Gans, chairman, GBAA

that NetJets took its majority stake in Frankfurt Egelsbach in 2009, complaining that Frankfurt Main was neglecting general aviation in favor of commercial traffic.

Security is not normally a problem at either airport, both of which are well fenced and patrolled. Electronic and other forms of surveillance are also in place and access is strictly controlled.

The quality of FBOs is generally well up to international standards. For instance Kurz Aviation's new FBO at Frankfurt Main has a large and comfortable lounge at the general aviation terminal and coordinates all other activities, such as transport and catering. Other FBOs at Frankfurt Main include Signature Flight Support and Fraport Executive Aviation, while Frankfurt Hahn has FBOs from AirRep Germany and Flughafen Frankfurt-Hahn GAT. FAS Frankfurt Aviation Services is one of the oldest and largest FBOs in the city, providing special flight and ground handling services at both Frankfurt Main and Frankfurt Egelsbach airports.

Fuel

A big bone of contention for domestic and foreign operators is sky-high fuel prices – not just in Frankfurt but all over Germany. Largely

the result of environmentally minded elected representatives in one of Europe's 'greenest' countries, the price of fuel can be twice or even triple the base price mainly because of two taxes – the mineral oil tax (MOT) and VAT. To avoid them, ground handlers suggest that operators consider tankering fuel or arranging for a top-up after leaving Germany. These taxes apply only to flights within the EU. The authorities also hit operators with what is known as an air security fee for every departing passenger. All these taxes, including the aviation tax, must by law be handled by a licensed local representative.

No commercial aircraft

Frankfurt Egelsbach claims to be the most general aviation-friendly airport in Germany. Indeed last year *Flieger* magazine went one better, naming it the best general aviation airport in Europe. Already long established as a haven for enthusiasts when NetJets acquired it six years ago, the airport has since made a 100% commitment to general aviation. In fact it is part of NetJets' mission statement that all commercial aircraft and particularly low-cost operators are banned.

The airport is home to many general aviation-oriented services. It's a base for police

helicopters and rotor-winged MROs, at least seven flying clubs, a dozen flight schools, several charter operations, other maintenance companies, suppliers and of course NetJets. Open year-round, the airport is within easy reach of all European destinations.

Improvements

If the German Business Aviation Association (GBAA) has its way, Frankfurt's airports, along with the other 300-odd in the country, will become more friendly toward general aviation. The GBAA is campaigning for a better deal for regional and airport authorities on the grounds that, as chairman Dr Bernd Gans argues, "business aviation is not a luxury but a vital economic tool" and is being short-changed.

"Our members sometimes experience an extreme shortage of slots as well as an ever bigger lack of parking spaces," he complains. "This is in stark contradiction to the role of the airport as a part of the public transportation infrastructure." At certain airports business aviation was being forced to the sidelines.

Considering the commercial influence of the members of the GBAA, some of whom run Germany's biggest international companies, this is a campaign that will get results. ✈

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Buyer's guide

The growing trend for FBO consolidation signals an upturn in the business aviation market. What are the main considerations when acquiring a new facility?

Words | **Dan Smith**

The beginning of 2015 saw an unprecedented level of consolidation in the business aviation sector – particularly for FBO operators. According to a recent Baltic Air Charter Association (BACA) survey of 80 members, primarily brokers, operators and FBOs, 44% of respondents have either conducted or are looking into the possibility of mergers and acquisitions.

One of the most active companies has been Landmark Aviation. In the past year it has acquired 18 FBOs from Ross Aviation and one FBO from Southwest Airport Services in Texas, as well as buying TWC Aviation, a private jet charter and aircraft management company. The purchases have extended Landmark Aviation's network of FBOs to almost 70, all but three of which are located in the USA.

Takeovers and new facilities

Another major player in the USA has been Hawthorne Global Aviation Services. The company has recently acquired three FBOs in the country and has constructed an all-new FBO in Chicago.

The company plans to continue building its portfolio, explains Hawthorne's president Bryon Burbage, "We have several acquisition targets in our pipeline which we expect to complete this year." Burbage describes the company's acquisition strategy as "selective", adding, "We're actively looking for quality independent FBOs that will enhance the Hawthorne network and bring additional benefits for our customers. We will be in major business markets, select resort markets, and some emerging markets."

Right: **Hawthorne Global Aviation Services** looks for FBOs that provide investment opportunities
Below: **Hawthorne's** newly constructed Chicago FBO



An attractive candidate for Hawthorne is an FBO with a rich history as a premier FBO. "But we do also look at underperforming properties in good locations," says Burbage. "We are willing to invest in these FBOs. We bring in the Hawthorne people, standards and systems to improve the service offerings."

Another company on the lookout for FBOs is Sky Valet, which is based in the south of France and operates Nice's Cote d'Azur Airport. In 2013 Sky Valet acquired Saint-Tropez Airport along with its only FBO, while this year the company has opened a purpose-built FBO at Le Bourget in Paris and acquired the eight FBOs of Spanish firm Gestair.

Growth strategies driving consolidation

Like Hawthorne, Sky Valet is following a very deliberate growth strategy. "We want to create a European network of FBOs," notes Michel Tohane, Sky Valet's executive vice president. "We're not interested in aircraft management or charter, just ground operations. Our goal is to create one brand that can be found everywhere in Europe."

For its part, Sky Valet is concentrating on prime locations such as European and regional



Hawthorne provides premier facilities to its customers at each of its FBO locations

capitals and tourist destinations. Unlike other players that are targeting existing chains or independent FBOs, Sky Valet goes to major aircraft operators who also happen to have FBOs. "It can be difficult for these companies to attract competitors to their facilities," explains Tohane. "Sky Valet is prepared to take this risk."

Sky Valet wants to ensure that all FBOs in its network meet the International Standard for Business Aircraft Handling (IS-BAH). Launched in 2014 by the International Business Aviation Council (IBAC), IS-BAH is an extension of IBAC's standard for business aviation operators (known

Operator mergers

It's not just FBOs that are consolidating. Over the past two years, charter operator Luxaviation has been on the acquisition trail. Formed in 2009, the Luxembourg-based company took a majority shareholding in Germany's FairJet in 2011. Two years later it acquired Abelag's Belgian FBO and charter operations.

During 2014, Luxaviation stepped up a gear, acquiring the French operator UniJet in January and London Executive Aviation in May. In April 2014, Luxaviation also completed the full acquisition of FairJet.

But it's 2015 that will stand out in Luxaviation's history. In April this year, the company announced a deal with China Minsheng Investment, the largest shareholder in Chinese bizjet operator Minsheng International Jet. That was quickly followed by news that Luxaviation had acquired the global operator ExecuJet with its 165 aircraft and facilities across Europe, the Middle East, Africa and Australasia.

With its latest acquisitions, Luxaviation has become the second-largest business aviation operator in the world after NetJets. The company now operates more than 250 aircraft – still a long way behind the NetJets fleet of over 700 business jets. However, Luxaviation believes its latest acquisitions will give the company the critical mass needed to improve efficiency and lower costs.

"We're not interested in aircraft management or charter, just ground operations. Our goal is to create one brand that can be found everywhere in Europe"

Michel Tohane, executive vice president, Sky Valet

as IS-BAO). "IS-BAH certification shows that the FBO meets standards for safety, insurance and training of personnel," says Tohane. "Our Cannes FBO is the first European facility to receive IS-BAH accreditation and only the third in the world. It's something we want to extend to every FBO we operate."

Rebranding is a key consideration

Like Landmark Aviation, both Hawthorne and Sky Valet aim to merge their new facilities into their existing brand. "In each case, we have made significant capital improvements, provided new and additional ground support equipment, and completed training to bring the level of service up to the Hawthorne standards," says Burbage. "Wherever you see the Hawthorne sign, you know it stands for the highest standards of service. In each of our acquisitions thus far, revenues have increased after the transition to Hawthorne. We see that as a vote of confidence from our customers."

Ross Aviation, itself acquired by Landmark Aviation in 2014, followed a different strategy when partners Greg Ross and Jeff Ross (no relation) started purchasing FBOs in 2003. "Initially we thought we would acquire an existing brand and build on that," explains Greg Ross. "However, our first acquisitions were independent so we decided to keep the branding. Eventually it



became a deliberate strategy as we realized that customers preferred to work with an FBO they trusted, not a brand. There was a negative image of chains. Having said that, Landmark Aviation and other chains are clearly successful, so I wouldn't say either model is better."

FBO chains often centralize many activities to reduce costs and ensure the client receives the same level of service at every facility under that brand. For Ross Aviation, however, only some activities were centralized. "We asked all our FBOs to use the same accounting software and

did some marketing and advertising from head office," says Ross. "The biggest benefit came from centralizing insurance."

Budgets were set with the local team, who also had some control over advertising. "We wanted to ensure that people running the FBO could operate it as a local business and keep customer needs in mind at all times," adds Ross. "Almost all of our customer relationships were at the local level."

Room for chains and independents

With increased consolidation, is there a risk that chains will come to dominate the FBO market? John Enticknap and Ron Jackson, principals of the Aviation Business Strategies Group and authors of *FBO Survival: 10 Tips to Keep Your Operation Lean, Mean and Profitable*, believe there is still enough competition to keep things interesting. "Aircraft operators still have choices and choices create competition," notes Jackson. "True, the major FBO chains like to acquire facilities at airports with a single operator in areas where there is very little geographical competition. However, many Fortune 500 aircraft operators and fractional owners use destinations that still favor the independent FBO operator. We feel there remains a lot of value for the aircraft operator in the current system, which supports both chains and independent operators."



Above: **Landmark Aviation** bought TWC Aviation in March 2015

Left: **The Southwest Airport Services** facility at Ellington Airport is now under Landmark ownership

Photo: Philippe Ruault Etienne Famin



Above: **The quality of an FBO's facilities influence the price a buyer is willing to pay**

Left: **Sky Valet is moving into the Spanish market by acquiring Gestair's eight FBOs**

"The acquisition price usually reflects the earnings history or the earnings capacity of the business"

**Bryon Burbage, president,
Hawthorne Global Aviation Services**

If there is a market for both independents and chains, why is consolidation at such a high level in 2015? For Greg Ross it's all about opportunity: "Business aviation took a knock in 2008, but people kept flying. The first thing that tells us is that private aviation is here to stay. However, aircraft deliveries and fuel buy-ins are not yet back to 2007 levels, so there are obviously opportunities to grow."

Another factor is the economies of scale that can be achieved. "Once the FBO is established and staffed, it costs you almost the same to deliver a million gallons of fuel per year as it does to deliver two million," says Ross. "You already have the fuel truck, the trained staff and the insurance, so there is very little extra expense."

Finding FBOs to acquire is not a major problem, especially in the USA where Jackson estimates there are around 3,400 FBOs. "Of

these, nearly 2,400 are located at airports with runways of at least 4,000ft, the minimum runway length for many turbine powered aircraft," he explains. This is significant because turbine-powered aircraft burn Jet A fuel, which is the lifeblood of FBO fuel sales revenue.

Calculating the sale price

Jackson believes an FBO in the USA needs to sell at least 500,000 gallons of Jet A fuel before it becomes interesting to an FBO chain. "That still leaves around 1,200 to 1,500 FBOs that are viable acquisition targets," he explains.

Setting a price for an FBO involves "a complex matrix of factors", according to Bryon Burbage.

"The acquisition price usually reflects the earnings history or the earnings capacity of the business. The value is significantly influenced by



The UniJet facility at Paris-Le Bourget Airport

Attractive asset

When potential investors are assessing whether to invest in an FBO, a range of standard business metrics can be applied. These include whether the FBO is a good 'fit' with the buyer's existing business, the geographic location of the facility, and its EBITDA performance.

But there are also some specific factors that should be assessed before acquiring an FBO according to Greg Ross from Ross Aviation: "Almost every FBO has a ground lease, so the length (and economic terms) of that lease are critical. Another major consideration is the level of terminating activity at the airport."

Terminating activity translates into fuel sales, as most operators refuel at the end of a mission. "Fuel volume is very important, as is the level of competition at the airport," notes John Enticknap from Aviation Business Strategies Group. "Other factors you should consider include whether the infrastructure of the FBO has been well maintained, and the relationship between the FBO and the airport."

Ross also recommends looking at the location carefully: "You need to assess the growth potential of the city or region the airport serves. And check whether there is available land for new facilities. FBOs at airports with space constraints are often more attractive than locations with greenfield land available for development."

the quality of the facilities and infrastructure, as well as the length and conditions of the airport lease and FBO operating rights," he adds.

"We calculate the real value of the business to set a price, and then look at where we can add value and what that will cost," says Sky Valet's Tohane. "Often we can add value just by providing synergies for operators. Our complete financial independence gives us the ability to do this easily."

The level of competition at an airport is also a significant factor. "The two most important things are the length of the lease and the business's EBITDA [earnings before interest, taxes, depreciation and amortization]," says Jackson. "But it's also important to buy an FBO that has a clean and unencumbered ownership history."

For Greg Ross, the ideal acquisition target has to be situated at a good airport: "Location is the biggest thing. Just because you can put an FBO at an airport doesn't mean that it will work. People who use business aviation don't have time to waste. That's why an FBO at one location might do well, but another five miles away is quiet."

"A lot of people think running an FBO is a simple business," he continues, "and it is, as long as you don't buy a business that has no potential and you don't pay too much." <

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Modern man



Main image **Jonny Nicol**
with his PA31 Chieftain at
Innsbruck Airport in Austria
Right: Nicol piloted a Tornado
F3 while in the RAF

Jonny Nicol, CEO of Stratajet, is on a mission to bring the private aviation market into the 21st century

Words | **Hazel King**

“I’d like to say I fell in love with aviation when I was taken around the airshow circuit as a child by my father, but I think realistically it was because of *Top Gun*. I watched it when I was 11 and fell hook, line and sinker for it, joining the RAF cadets when I was 16 and learning to fly.”

This refreshing honesty comes from Jonny Nicol, CEO of Stratajet, who nevertheless admits that his career hasn’t necessarily lived up to the glamour and action of the 1986 movie. “I was really lucky that when I started flying it just came naturally, and is one of the only things I’m actually any good at,” he adds modestly.

Nicol was in the RAF for almost 2.5 years as a Tornado F3 pilot before moving into the army in 2000 and touring with the Desert Rats on various missions around the globe for eight years. In that time he developed a system for digitizing the military’s soldier information database in a bid to streamline the paper-based process that had remained unchanged for 400 years. “The resistance to change was phenomenal. It took a lot of time and effort to show people the benefits of moving to a digital system, but once they understood and changed over to my way of thinking they never looked back – their workload was dramatically reduced and there weren’t the same errors.”



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“I was really lucky that when I started flying it just came naturally, and is one of the only things I’m actually any good at”

Jonny Nicol, CEO of Stratajet

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Main image: Nicol is flying around Europe to talk to operators about the benefits of Stratajet

Below: The PA31 Chieftain has a retro 1970s interior



Favorite experiences

When asked about his favorite aircraft to fly, unsurprisingly Nicol chooses a military classic. "The most fun I think I've ever had in an aircraft is in the RAF Bulldog. It is the aerobatic training aircraft for the RAF, but what is wonderful is you can fly it with the canopy right open so that it is like a convertible plane. The sense of freedom – which is at the heart of what all pilots love about flying – is amazing."

With so many flight hours under his belt, Nicol struggles to pick just one destination as a favorite. "One of the great things about private aviation is that you can go to places most people don't go," he says. "A classic example is flying up to the Hebrides off the coast of Scotland, which are absolutely stunning. Île de Ré off the coast of France is great for the summer months. I guess the best place I've ever been is Ilulissat in Greenland. It is the most spectacular place on earth."

"The world has moved on over the past 40 years and people no longer expect to have to pick up a telephone and go through the process of requesting quotes – they expect immediacy"



Industry first

It is this style of thinking that Nicol is now taking to the private aviation industry with his company, Stratajet. Described by Nicol as "the world's only real-time online booking engine for private aviation", the system aims to streamline the private jet booking process, although Nicol is quick to point out that it is not just another of the online 'quote getting' sites that have popped up on the internet in recent years.

"Every other company that claims to be an online booking service has some level of going backward and forward to get quotes from the operators because they don't have access to all the real-time prices. Stratajet is the only system in the world that has all the pricing, from the actual costs of the aircraft to the other 14 costs associated with the flight, such as landing,

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Left: **The Stratajet team gets together for fitness sessions in London's Hyde Park at 8:00am**

parking and handling fees. You can pick your route and your aircraft and book and pay for the flight there and then."

In simple terms, Stratajet is a pricing engine – it stores all the data associated with the cost of flying each aircraft and then uses a large number of algorithms to work out the exact cost down to the last penny of flying between any combination of airfields in the database. Nicol's team of researchers collect all the data themselves by calling up each airport and sourcing each of the 15 costs associated with the flight.

"The world has moved on over the past 40 years and people no longer expect to have to pick up a telephone and go through the process of requesting quotes and being bombarded with emails to be able to book an aircraft – they expect immediacy and choice," Nicol says. "Scheduled airlines have been very quick to embrace this – most of them are online and will tell you exactly how much it costs to fly from point A to point B at the time of your choosing, but there are also other sites, such as Skyscanner and Expedia, that will give you the price for all available airlines and options in one place."

According to Nicol, the private jet industry is missing a huge trick by not adapting to this market need and providing a real-time cost proposition. "The private jet market is shrinking while the wealthiest 1% of people globally are getting richer by about 6% a year, so the reason for the fall in private jet use is not financial. I think it is this closed market, which is disjointed from the rest of the travel world and lacks the ability to effectively pass information over the internet and



Above: **The Chieftain at SaxonAir's facility at Norwich International Airport, UK**

Right: **Stratajet visited a number of airports in the UK, including London Biggin Hill, as part of Operation Long Reach**



cell phones. The power of being able to give real time pricing is vast because suddenly we have this transparency and the ability to let anyone see exactly how much a private jet will cost. It also enables us to go through more traditional online travel booking routes – private jets can become just like an airline in those sorts of marketplaces."

Stratajet also has the ability to show prices for partial empty legs. For example, if an empty leg is going to be flown from Madrid to London and a customer requests a flight from Barcelona to Paris, the system can work out what the cost difference to the operator is of flying via these cities and apply a higher profit margin while still making it cost-efficient for the customer. "Those partial empty legs are key because it means we can compete very well with, if not better than, business class seats," says Nicol. "We have to imagine what happens if someone goes onto one of these travel marketplaces to book business class tickets and suddenly they see a private jet there for less money. That is key to getting people back into this industry because it is an absolute no-brainer." Nicol hopes to provide access to this information via online platforms such as Expedia and Skyscanner when Stratajet launches to the consumer.

Team building

Stratajet has been four years in the making with plenty of naysayers along the way who believed that the world of booking private jets would



Operation Long Reach visited
Sønderborg Airport in June 2015

never move online. Nicol persevered, drawing on his military training to lead his team through the challenges of developing the platform. "I think the military way of doing things is probably something a lot of companies would benefit from. We have become so check-box centric and health-and-safety focused that we've lost a lot of the soft skills of being able to lead and inspire and encourage people to see the big picture and keep going," explains Nicol.

He also organizes fitness sessions in London's Hyde Park at 8:00am to motivate the team: "My poor team are confused as to whether they're working for a civilian company or in the military themselves!"

The next step for Nicol is to spread the word about his new business venture and he'll be doing so using his own private aircraft. "We've bought a beautiful PA31 Chieftain that we'll be using to fly around Europe to meet operators and ground handlers. It has a wonderful 1970s interior that is a mix of faux leather and crushed

"The private jet market is shrinking while the wealthiest 1% of people globally are getting richer by about 6% a year, so the reason for the fall in private jet use is not financial"

velvet complete with a secretary desk and make-up area – everything you need for private aviation in 2015!" Nicol jokes.

Operation Long Reach

Operation Long Reach is an "airborne marketing roadshow" with the aim of promoting Stratajet's technology to charter operators and FBOs. The program began in April with visits to Bristol, Cranfield, Fair Oaks, Gloucester, Biggin Hill and Luton airports in the UK before moving on to Austria for EBACE in May. The Stratajet team have now moved the campaign into the rest of Europe.

"I have always firmly believed that it is the industry that is going to grow itself, so we have to make sure that whatever solution Stratajet becomes it is one that the industry wants and needs," Nicol explains.

Following the European promotion, Nicol is opening a US office in California in July and will continue to grow the business into the Middle East and the rest of the world. "Stratajet is a self-fulfilling prophecy – if people want to embrace this new world then it will work brilliantly. I know consumers want to see this, so it is now up to the industry to decide whether to accept it or not," Nicol concludes. ☺

Financial investment

In March 2015, Stratajet secured a US\$5m investment for the continued development and launch of its product. The funds raised will be used to increase the supply of operator partners in Europe and the USA and to support the roll-out of its consumer product. Following the live testing of the system with a number of UK charter companies, Stratajet has committed to offer operators a free-to-use software platform that enables them to make use of all the benefits of Stratajet's pricing engine for all their internal quotes, provided they make their aircraft available to customers on Stratajet.com. The opening up of the platform to a wider number of charter companies will greatly increase the capacity of the system ahead of a full launch to business jet consumers later this year.

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Sunny outlook

Dominique Thillaud, chairman of the management board of Aéroports de la Côte d'Azur Group, talks about the company's progress in the European market

Tell us about Aéroports de la Côte d'Azur and the airports in your portfolio

Aéroports de la Côte d'Azur (ACA) is the managing company for Nice Côte d'Azur, Cannes Mandelieu and Saint-Tropez airports in the South of France and provides both commercial and general aviation services.

There are three main handlers at Nice Airport – Aviapartner Executive, Landmark Aviation and Swissport Executive – who handled 32,000 movements between them in 2014. Alongside the dedicated general aviation terminal, Nice also has two repair stations for light maintenance on Dassault and Bombardier aircraft.

Cannes Airport is entirely dedicated to general aviation and handles both business and private aircraft based on the Côte d'Azur. The airport handles more than 70,000 operations every year, with business aviation representing more than 11,000 movements and helicopters accounting for 9,000 movements annually. More than 220 aircraft are based at Cannes and there are a few MROs that service Cessna, Bombardier and Dassault aircraft. The airport, which includes flight training schools, offers 14 hangars over 204,500ft² and is planning to construct two

"We have initiated a massive renewal project for our terminals, creating a new heliport terminal and refining our business passenger reception services"

Dominique Thillaud



additional hangars in the next five years. In February 2015 the airport's Hangar 16 won the prestigious architecture AMO prize, and the Sky Valet FBO at Cannes has just been awarded IS-BAH certification, becoming the first FBO in Europe to meet the standard.

Also dedicated to general aviation, Saint-Tropez Airport is the gateway to the iconic and eponymous peninsula in the South of France. With an average of 8,000 aircraft and helicopter movements every year, Saint-Tropez Airport has built a loyal client base of regular visitors by providing a customized welcome that starts immediately on landing, and a broad range of premium services. In summer, the airport provides three scheduled commercial services: Nice by helicopter; and Geneva and Sion in Switzerland by fixed-wing aircraft. A service to Courchevel in the French Alps will also be introduced next winter.

In July 2013, ACA acquired Saint-Tropez Airport as part of its accelerated external growth policy. In joining Nice Côte d'Azur and Cannes Mandelieu, Saint-Tropez Airport completes the Aéroports de la Côte d'Azur business aviation hub.

What services do you offer?

Nice is the most important business aviation airport in France in terms of traffic in the summer, so it is mandatory for ACA to provide clients with an exquisite quality of service, matching the French Riviera's prestige. Our plan is to welcome a portfolio of prestigious brands representing a range of services comparable to those found in the most exclusive luxury hotels and France's palaces. Therefore, we have initiated a massive renewal project for our terminals, creating a new heliport terminal and refining our business passenger reception services. We are now determined to become the European leader in providing services to business aircraft and their passengers. Since the creation of the Sky Valet brand in May 2014, everything revolving around aircraft and their passengers is now our core business and we offer top-of-the-line services.

Sky Valet is available at 11 airports – three in France and eight in Spain – offering business passengers a door-to-door service from the aircraft or helicopter. Services in Spain are coordinated via a 24/7 operations center based in Madrid.

How has the company developed recently?

Since March 2015, Sky Valet has been operating in Paris-Le Bourget Airport. ACA also announced



Above: Aéroports de la Côte d'Azur's facilities reflect the prestige of the French Riviera

the acquisition of the handling activities of Unijet, one of the leaders in business aviation and the sector's oldest French company (created in 1967), in March. Sky Valet's provides full aircraft handling at Le Bourget, including parking facilities, waiting and work lounges, flight preparation rooms and rest facilities for pilots. This acquisition marks a new strategic stage in the development of ACA's general aviation activity.

In May 2015, Sky Valet acquired the Gestair FBO brand in Spain. The eight stations operated by Gestair now join the two platforms on the French Riviera, Cannes Mandelieu and Saint-Tropez, plus the one at Paris-Le Bourget.


What are the main attractions for business aviation clients in the Côte d'Azur area?

Located in the heart of the French Riviera between Saint-Tropez and Monaco, Côte d'Azur is one of the most attractive regions in the world for business and tourism. This exclusive territory hosts worldwide events such as the Cannes International Film Festival, the Monte Carlo Formula 1 Grand Prix, the MIPIM (International Market for Exclusive Real Estate), the Cannes Yacht Show and the Monte Carlo Yacht Show.

How has the business grown over the past few years?

In Nice we have grown from 29,222 business aviation movements in 2010 to 32,141 movements in 2014. At Cannes we grew from 10,950 in 2010 to 10,992 in 2014. Considering the economic crisis that affected Europe, we think these are encouraging figures, especially when compared with the trend of business aviation in the same period across the rest of Europe. Around 17% of our traffic is coming from France, 15% from the UK, 13% from Italy and 10% from Russia.

How do you plan to develop the airport in the future?

We plan to develop our helicopter traffic – we have just built a dedicated helicopter terminal at Nice Airport – and will continue to develop our Sky Valet network in Europe. 

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A new hangar facility and the launch of a loyalty program at Le Bourget Airport mean customers are well catered for when flying to Paris

With a new hangar now open, Advanced Air Support is positioned as a leader in airport services at Paris-Le Bourget Airport.

The LX hangar opened in March 2015. It provides 66,700ft² of space to accommodate all types of aircraft, from business jets to wide-body aircraft. With the opening of the new facility, Advanced Air Support now has 179,700ft² of covered and secured warehouses, and 279,800ft² of aircraft parking areas, at Le Bourget Airport.

"Advanced Air Support's development policy is carried out in sync with its customers' changing needs, always looking for more and more services, comfort and therefore space," explains CEO Marie-Antoinette Dain.

The new LX hangar fully complements Advanced Air Support's operating model. It is completely customer-oriented, with VIP rooms to provide exceptional passenger comfort and services, lounges designed to optimize crews'

working and rest time during stopovers, as well as having the latest-generation equipment to provide full technical support for all aircraft categories.

Advanced Air Support will continue to develop its service offer and scope and can draw on the skills of other companies that are also in the Jet Services Group. All activities related to business aviation are covered, including a Part 145 workshop at Le Bourget Airport, offering line maintenance services, as well as a monitoring and flight operations company, both of which are available 24/7. These services allow Advanced Air Support to cover all customer demands with seamless reactivity.

Services provided by Advanced Air Support are further enhanced through the innovations of O'neo, a subsidiary company that specializes in interior and exterior aircraft cleaning. O'neo has developed a unique process where a protective film is applied to the aircraft exterior, making it more streamlined and enabling a fuel saving of 1%.

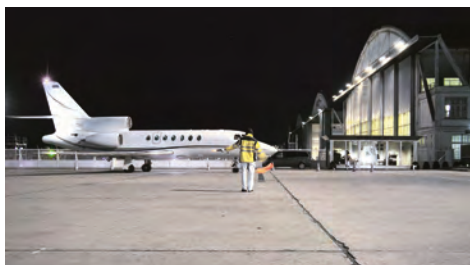
The expansion of the Parisian FBO also continues internationally with the opening of its offices in Morocco. The 'made in France' expertise and know-how in airport assistance of Advanced Air Support's teams is now available to all Moroccan airports.

Advanced Air Support's key priority is to reward customer loyalty. This loyalty comes from an attention to detail and service provided at each stop at Le Bourget; it also results from an adapted and more competitive pricing policy. The company has now launched its loyalty reward program, Sky Key. At each stop, the amount spent is converted into points. Sky Key's accumulated points allow access to any choice of service, free of charge, and at any time.

With a new terminal due to start operations in 2018, providing 140,000ft² of space to serve its customers, Advanced Air Support will continue to confirm its position as a key player at Paris-Le Bourget Airport. ✈



Right: Crew can rest and work in comfortable VIP rooms
Below: Flight monitoring is available 24/7 at Le Bourget Airport



Key figures

179,700ft² of hangars
279,800ft² of aircraft parking areas
Four VIP lounges
One VVIP lounge with bathroom
One fully equipped meeting room
Two crew restrooms
Two lounges dedicated to crew

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Swedish support

MTS Aviation was established in 1990 and provided technical support to yachts, expanding to commercial shipping in 1992. The company has continued to evolve over the years, providing exclusive VIP travel services to a number of well-known brands, including Mercedes-Benz. Owners Helmut and Maria Gross gained a reputation for providing high-quality, discreet management services and began receiving inquiries from customers about private aircraft services. In 2007 the company opened a facility at Malmö Airport in Sweden, offering surface treatment, aircraft refurbishing and pilot support.

MTS Aviation grew quickly, and in December 2010, it moved to a bigger facility at Malmö Airport, which includes an air-conditioned hangar that can accommodate a B737 or A320 aircraft, a cosy office, pilot lounge, VIP lounge and conference room. Situated close to the runway, MTS Aviation is the fastest and only privately

owned and managed FBO service provider at Malmö Airport. In 2011 the company provided the fastest handling services at the airport for medical flights and in 2013 it served its first BBJ.

The story doesn't stop there. Over the past few years the company has had the honor of handling aircraft from the Swiss, Czech Republic, Netherlands and Belgian Air Forces. MTS Aviation has also been approached by some of its clients to provide private/corporate charter services because customers want to receive the same high service standards and competence in the air as they receive on the ground.

This year has seen MTS Aviation expand its services to include a global charter brokerage service and provide access to flight and cabin crew with more than 12 years of experience. The hope is to make traveling by private and corporate aircraft a more cost-effective and time-saving solution, as customers will have access to all services in one place. ✈

Above: **The FBO has access to a temperature-controlled hangar at Sweden's Malmö Airport**

Below: **MTS Aviation has even provided handling services to a number of countries' air forces**



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As large chains continue to buy up smaller operators, what does the future look like for the FBO industry?

At the end of 2013, Atlantic Aviation announced that it would be acquiring Galaxy Aviation for US\$195m. The following year, Landmark Aviation declared that it would be buying the entire Ross Aviation network of FBOs in the USA, with the acquisition finalized in August 2014. A number of other big names in the industry have been buying up smaller operators for the past few years, including Signature Flight Support, while in the aircraft operator sector, Luxaviation Group acquired ExecuJet Aviation Group in May 2015, making it the world's second-largest corporate aircraft operator (see page 8).

With all of these acquisitions, does this mean the end of the independent FBO? Not necessarily, according to Ron Jackson, principal of the Aviation Business Strategies Group, in *Buyer's guide* on

page 46. "True, the major FBO chains like to acquire facilities at airports with a single operator in areas where there is very little geographical competition. However, many Fortune 500 aircraft operators and fractional owners use destinations that still favor the independent FBO operator. We feel there remains a lot of value for the aircraft operator in the current system, which supports both chains and independent operators," he explains.

The trend for acquisitions looks set to continue, with a recent survey by the Baltic Air Charter Association showing that 44% of the 80 members who responded have conducted, or are looking into, some kind of merger or acquisition. *Business Airport International* took to LinkedIn to find out what this means for the FBO industry of the future. <

Your views



Bernd Dykier, senior consultant Asia at Avia Network Solutions, commented, "Large networks will dominate the global market at key locations while some locations will remain with independent operators due to macro factors incompatible with complex corporate or regulatory quality systems. Most FBO operators consider globalization key. Consequently it would be commercially ignorant not to include the option of a network membership or merger with a globally or regionally established entity within any business plan or case for any new FBO startup. In every ordinary case, the benefits outnumber the associated cost in the mid term."



Graham Stephenson, senior aviation consultant, said, "Acquisitions become more attractive when the level of

business aviation activity increases at a given airport. Independent FBOs have often found it difficult to grow their business because when handling activity increases, so does competition. Investment is needed with strong marketing, together with the financial benefits gained from economies of size. While customer service is a vital ingredient for a successful FBO, margins are so small that it is difficult for the independents to finance good equipment, good staff, good facilities, good marketing and, above all, good training for the staff. With the introduction of IS-BAH there is a lot of pressure on FBOs to improve the safety standards and training of their staff. Training costs money and time. Small FBOs do not have sufficient revenue and resources to meet the new demands so they will see the benefits of joining a chain. The benefit for a well-managed chain is the opportunity to spread the management and training costs over many FBOs so that it makes the sums more attractive. Their customers will also benefit from an improved level of support. The small

independent FBOs will still have a role to play at the smaller regional airports during the time that they are building up their business aviation traffic."



Joe McDermott, senior business aviation consultant, commented, "The future for the independents really depends on location, traffic levels and whether they have competition on the ramp. The bigger players can fund a price race to the bottom or invest in better facilities. Mind you, that does not happen on every ramp."



Bill Coleman, president of The Coleman Group, said, "We will never see the end of independents. The ROI of the independent is almost 50% higher than an FBO owned by a large owner like Signature. Also, in the Midwest, there are well over 300 independent FBOs at small airports (3,000ft runways) that will never go away. Independents offer the owner/operator an advantage

through back-loading of fuel. For example, you are based at a large-size GA airport in Atlanta, Georgia, but you know you can buy fuel at an FBO location in Macon for one-third the cost you are paying at your home base. So you fill up in Macon and take courtesy fuel from your base operator. I see a resurgence of independent FBOs in 2016."

Your comments

What do you think? What are the benefits of an acquisition? What are the main challenges and considerations? Should there be a limit on the number of acquisitions allowed by large FBO chains? We'd love to hear your thoughts on this or any other topic affecting the business aviation industry, so visit www.linkedin.com and search *Business Airport International* to join in with the debate.

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