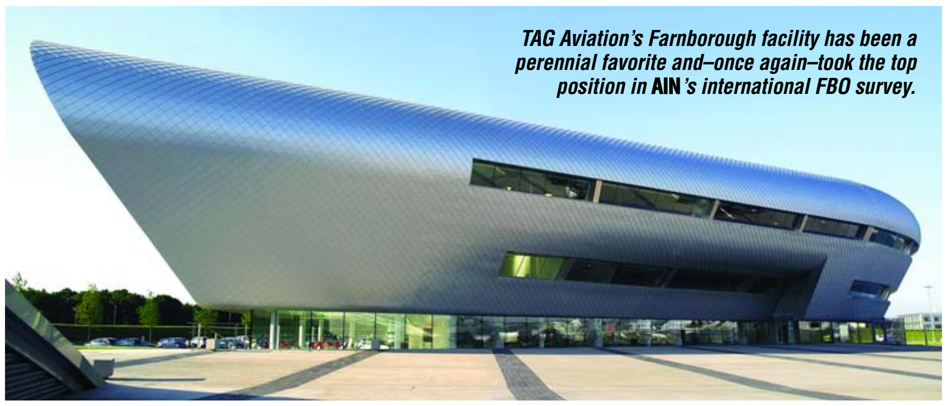
Aviation International News

FBO READER SURVEY

Jet Aviation's Dusseldorf facility cracked the top 10 this year, up from its number twenty-three position in last year's FBO survey.



TAG Aviation's Farnborough facility has been a perennial favorite and–once again–took the top position in AIN's international FBO survey.

Covering Europe, Africa, Asia and the Middle East

by Charles Alcock

Twelve months ago, the introduction to **AIN**'s 2008 international FBO special report remarked that there had probably never been a better time to be in the FBO business. At the time, business aircraft traffic growth was in full flow in markets outside North America and there was no obvious sign that this trend would diminish to any great extent.

Now the shockwaves from a financial crisis that began in the U.S. are cascading around world economies, and business aviation is clearly one of the casualties. Most European FBOs have seen a relatively steep downturn in traffic that started in September or October. The smallest decline in traffic over the past six months reported to **AIN** has been around 3 percent, but quite a few bases have seen month-on-month declines of just above 20 percent.

The optimists among the FBO managers **AIN** surveyed seem to believe that this dip in fortunes is symptomatic of an extreme, knee-jerk reaction to the exceptional uncertainty in business circles. However, the more pessimistic took the view that worse may yet come and that it could take at least until the middle of this year to ascertain where the bottom of the downturn lies.

At the same time, many FBO managers believe that commercial aircraft operators and charter brokers have become much more sensitive to the cost of handling services and are more ready to shop around among FBOs to get reduced prices. Several also reported significant problems with slow payments from customers and indicated that the credit-worthiness of some clients has become a much bigger consideration against the backdrop of several bankruptcies among operators.

That said, there is ample sign of stoicism and a survival instinct among FBO executives. Many pointed out that the drop in traffic has to be viewed against a backdrop of unprecedented strong growth in markets such as Europe, the Middle East and Asia over recent years. It remains to be seen whether the downturn in these fortunes will dampen the appetite of companies to invest in ambitious expansion plans that have been laid for these emerging business aviation markets.

With handling operations in Europe, the Middle East, Africa, Asia and Australia, **ExecuJet Aviation** is of the opinion that the FBO market is by no means uniform geographically. Group executive director Graeme Duckworth told **AIN** that in Europe and South Africa traffic started to dip in the three months beginning in September 2008 but that it has since picked up to varying degrees. By contrast, the company's Dubai FBO didn't see a drop in business so early but then experienced quite a sharp fall in December and January as charter operations tumbled in a location that now appears to be caught in the grips of a global financial crisis to which until very recently it had seemed immune.

Duckworth is among many in the FBO sector who have seen a more pronounced decline in handling work for charter operators, which seem to be slowing operations at a greater rate than those flying private owners. That said, charter activity still appears to be healthy in South Africa, where ExecuJet recently opened a new FBO at Cape Town.

"We are still cautiously optimistic but have to assume there could be a decline in traffic volumes this year," he commented. "But new aircraft are still being delivered in most of the regions, which should mitigate this trend, and emerging markets [such as Asia] normally lag behind the U.S. and Europe." As of February, ExecuJet was still 4 percent above budgeted figures for the number of movements it expects to handle in the financial year that began at the end of July 2008.

As an operator of some 151 business aircraft around the world, ExecuJet is also well qualified to comment on the standard of FBO service. "We still find a lot of inconsistency," said Duckworth. "Some of this is due to cultural differences and some of it due to FBOs having to deal with factors such as poorly conceived security arrangements that can stand in the way of good service."

ExecuJet, which started operating international FBOs in 1997, is increasing the training that it provides to handling staff and is bringing more services in-house to ensure acceptable standards and to help keep costs under control.

According to Duckworth, generally customers are becoming more sensitive to handling prices, which he said have continued to rise in many locations. "We are trying to increase our revenues by providing more services, but at the same time we are aiming to provide better value," he maintained.

Looking to the future of the FBO sector,

SURVEY RULES AND METHODOLOGY

The **AIN** FBO Survey asks readers to rate FBOs that they frequent in four key categories: line service; passenger amenities; pilot amenities and services; and facilities. For each of the four categories, the survey participant can assign a number from one to 10, one being worst and 10 the highest rating. To arrive at the averages for the categories, each FBO's ratings for each of the four categories are added and the resulting sum is divided by the number of responses received for that FBO. The overall average for that FBO is computed by adding the FBO's four category scores and dividing that sum by the total number of responses received in all four categories.

Only those invited to participate in the **AIN** FBO Survey can access the Web site to fill out the online ballot form. Each invitee receives a code that must be used when filling out the ballot, and that code can't be used by anyone else, thus preventing ballot-box stuffing and ensuring that only those invited to participate can post their opinions.

Forecast International received 2,661 completed survey returns, up substantially from last year's 1,963. The completed return rate was 18.1 percent compared with 13.3 percent last year.

Respondents provided a total of 41,098 FBO ratings, which averages to 15 FBOs each (this includes 141 respondents who began but did not complete the survey). Last year respondents averaged 16 FBOs each; and the 2007 number was the same as this year.

The survey asks **AIN** readers to rate FBOs and handlers worldwide. In this issue only the results for facilities in Europe, Africa, Asia and the Middle East are listed. The results covering the Americas FBOs (North, Central and South America, and the Caribbean) were published in **AIN**'s April issue and can be found in their entirety at www.ainonline.com/resource-center/.

Survey participants added 110 FBOs to this year's list by writing ratings for facilities they use that were not listed. The total number of FBOs originally available to be rated was 1,509, so 1,619 received ratings. Write-in FBOs are added to the final results if they receive enough ratings, and they are also added to the list for next year's FBO survey. ■

Harrods, London Stansted

Focusing on customer service is key to an FBO's survival in this difficult environment, according to many operators. Rather than cutting back, successful FBOs will do everything they can to ensure they are meeting customers' expectations with comfortable facilities and efficient handling.

Cannes-Mandelieu Airport

COMPLETE LISTING

To see the complete survey results for international FBOs, go to **www.ainonline.com/resource-center.**

Duckworth predicted that companies will have to offer more services, such as maintenance, to remain competitive and that equipping ramps to handle large aircraft will result in more investment. At the same time, a new wave of regulations will force more spending on training. He also predicted that FBOs will have to become less reliant on third-party service providers. "Only the best managed FBOs will survive, and many of these will be part of bigger groups that have the resources to maintain standards," Duckworth commented.

The strained current market conditions have prompted ExecuJet to be more cautious in pursuing expansion plans that it has harbored for some time in Europe, the Middle East and Asia. However, he indicated that this could be just a brief respite. "This is a good time for us to be looking at traffic volumes and to assess opportunities more carefully," Duckworth explained. "We will come out of this [depressed] market one day and this is a good time to get in position [for further growth]. There may even be unforeseen opportunities to expand, such as corporate flight departments that no longer want to do their own maintenance."

ExecuJet recently opened its refurbished FBO at Berlin's Schoenefeld Airport. This airport will eventually receive all business aviation traffic heading for the German capital when Tegel Airport is shut down.

Credit Crunch Slows Consolidation

For John Enticknap, vice president for business development with **Mercury Air Group**, one of the main ramifications of the credit crunch will be a slowdown in consolidation in the FBO business. "This will come to an end temporarily and it will reduce the big prices that some FBOs have been bought for in recent years," he told **AIN**. "But there could eventually be some sales because there are some good deals to be had, including situations where distressed businesses are having to be sold."

According to Cannes-Mandelieu Airport customer service and marketing manager Umberto Vallino, most remaining consolidation in the international FBO marketplace will occur only at large airports where the bigger groups have the prospect of selling fuel directly to operators. He predicted that at smaller airports most FBOs will remain in the hands of privately owned independent companies.

In Russia and Eastern Europe, Chris Cartwright, co-managing director of the **Feras** handling group, reported drops in traffic of as much as 45 to 62 percent in the months since November 2008. In his view, this collapse in what had been a promising growth market for business aviation can be explained entirely by the financial crisis.

Cartwright expects trading conditions to get worse before they get better, with a steep reduction in flying activity and numerous jets being parked indefinitely because owners can neither sell them nor afford to operate them. In his view, the Middle East is about to feel the brunt of the downturn, while, on the bright side, Asia could emerge from the gloom first.

"We are trying to help clients do some things themselves to save money as we save on overhead and workload," Cartwright told **AIN**. "In a poor economic environment operators will expect their crews and operations personnel to do more to save on charges levied by FBOs. Fuel shopping will be a full-time job instead of a sideline job for an ops person."

He added, "There has been a clear deterioration in the credit-worthiness of operators, with late payments becoming quite common, often exceeding 60 days. We see much less credit being extended by airports, FBOs and fuelers, which may have sidelined still more traffic by opera-

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Top 40 International FBOs

Rank	FBO	City	Overall Average
1	TAG Aviation	London Farnborough	8.46
2	Signature Flight Support	Hong Kong	8.29
3	Grafair Jet Center	Stockholm	8.11
4	ExecuJet Switzerland/Aviation Ground Services	Zurich	8.00
5	TAG Aviation	Geneva	7.88
6	Signature Flight Support (formerly MES)	Munich	7.85
7	Jet Aviation	Dusseldorf	7.79
8	Jet Aviation	London Biggin Hill	7.77
9	Harrods Aviation	London Stansted	7.68
9	Universal Aviation	Paris Le Bourget	7.68
10	South Air Iceland	Keflavik	7.62
11	Royal Jet	Abu Dhabi	7.61
12	Dassault Falcon Service	Paris Le Bourget	7.60
13	Universal Aviation	London Stansted	7.58
13	ExecuJet Aviation Services	Johannesburg	7.58
14	Executive Flight Services	Dubai	7.57
15	Jet Aviation	Geneva	7.56
16	KLM Jet Center	Rotterdam	7.54
17	Harrods Aviation	London Luton	7.52
18	Jet Aviation	Dubai	7.51
19	Jet Aviation	Basel Mulhouse	7.47
20	Vienna Aircraft Handling	Vienna	7.43
20	Universal Aviation	Milan	7.43
21	Jet Aviation	Zurich	7.34
22	Signature Flight Support	London Luton	7.31
23	Service People	Hamburg	7.28
24	Signature Flight Support	Paris Le Bourget	7.26
25	ExecuJet Germany	Berlin	7.25
26	Eccelsa General Aviation	Olbia	7.22
27	Flight Services	Reykjavik	7.16
28	Abelag Aviation	Brussels	7.14
28	Mallorcair	Palma de Mallorca	7.14
29	KLM Jet Center	Amsterdam	7.11
30	Euralair Airport Services	Paris Le Bourget	7.07
31	Jet Aviation/Deer Air	Beijing	7.00
32	EuroAviation/Universal Weather & Aviation	Athens	6.95
32	Signature Flight Support	Hyéres	6.95
33	Jet Aviation	Jeddah	6.94
34	Universal Aviation	Rome	6.91
34	Signature Flight Support	London Heathrow	6.91
34	Gozen Air Services	Istanbul	6.91
35	Finavia	Helsinki	6.89
36	Signature Flight Support	Athens	6.88
37	Biggin Hill Executive Aircraft Handling	London Biggin Hill	6.84
37	Fraport Executive Aviation	Frankfurt	6.84
38	Jet Aviation	Riyadh	6.72
39	Signature Flight Support	Shannon	6.68
40	Aviation Service	Prague	6.66

*Source: **AIN** 2009 Europe, Middle East, Asia and Africa FBO survey. Overall average out of a possible 10. Compiled by Jane Campbell with data provided by Forecast International of Newtown, Conn. Yellow shaded area indicates FBOs in the Top 10.*

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tors who traditionally operate on the edge of financial solvency."

In Cartwright's view the near total squeeze on credit is also stifling further FBO developments in international markets that had seemed so attractive just a year ago. "I expect everyone to take a wait-and-see approach," he concluded. "If credit loosens and the downturn eases, there will certainly be some experienced players with enough cash on hand to buy up distressed or struggling FBOs. But I would expect fewer outsiders like banks to be interested in FBOs for a while."

Universal Aviation v-p Adolfo Aragon also sees the international FBO sector as being in a state of flux. On the one hand, he told **AIN**, companies are reluctant to push ahead with new developments when they are unsure what the return on these investments will be. On the other hand, the steep drop in revenues could lead to a cleansing of the marketplace. "Smaller players might be financially compromised," he predicted. "We expect to see the market shrinking and some FBOs could disappear."

Aragon expects the downturn to last for another year or possibly two. "We have seen even some of our bigger accounts doing some chopping [in expenditure on handling services]," he said. "They want to know all the prices in advance and they are asking us how they can coordinate local services differently. For example, big corporate accounts that formerly always used high-end ground transportation are now looking for more basic taxi cabs."

Universal's aim has been to maintain handling prices at 2008 levels, but Aragon acknowledged that this can be hard in local markets where there are still inflation or currency exchange issues. Unlike in the U.S. market, where the margin on fuel sales remains the primary source of FBO income, handling fees provide almost all their revenue in other parts of the world.

In Europe, Universal has handling operations at London Stansted Airport, Paris Le Bourget and in both Milan and Rome. According to its local managers, initial indications of falls in business aviation traffic in these locations range from around 12 to 20 percent overall. However, they claimed that their own bases' share of this decline has been less and that they are not losing any market share.

Signature Flight Support also saw declining activity in its European operation during the final quarter of last year, but nonetheless achieved about 3 percent organic growth in its international business. Its publicly owned BBA Aviation parent group has announced plans to cut up to 350 jobs worldwide this year in a bid to shave almost $15 million in annual costs from its balance sheet, but it hasn't yet made it clear how many of these

Jet Aviation's London Biggin Hill facility is a newcomer to the Top 10 FBO list, taking the eighth spot with an overall average of 7.77.

might come from the FBO chain.

"In Europe we have increased from three locations to 23 over the last four years and have a proven and successful model," said David Best, Signature's chief commercial officer. "Our expansion in relevant locations both in current and new regions will continue as appropriate opportunities arise." Over the past 12 months, the group has acquired and rebranded the former MES base at Germany's Munich International Airport and Interflight Executive Aircraft Services at London Gatwick Airport. In addition to its U.S. operations, Signature also has FBOs in South Africa, Hong Kong and South America.

"I believe service levels in Europe are extremely good given the complex interaction with airports, customs, immigration and Eurocontrol which all needs to be facilitated," said Best. "The current economic conditions will ensure that everyone focuses hard on exceeding customer expectations."

Despite increasing pressure on the cost of doing business, Signature, like many other European FBOs, has had to spend money on new security arrangements at locations such as Paris, Toulon and London. It has also introduced children's play areas at some bases and is continuing with a program of refurbishing passenger and crew areas.

Cannes-Mandelieu Airport, a popular business aircraft gateway to resorts and weekend second homes in the south of France, saw a 7.2-percent drop in traffic last year, with all of the decline beginning in June. However, according to client relations manager Vallino, much of this decrease was caused by the unwelcome introduction of slot coordination during the peak period and some unseasonably bad weather in the autumn months. The slot coordination actually raised traffic at neighboring airports such as St. Tropez, La Mole and Le Castellet. Although business aviation traffic at the region's main Nice-Cote d'Azur Airport actually grew by almost 5 percent over the whole of last year, the final four months of the year did show a steep decline in traffic.

According to data from the French Business Airports group, business aviation traffic also declined during the second half of 2008 at both Paris Le Bourget and Lyon Bron airports. Vallino told **AIN** that it is hard to say how much of this reduction in traffic is directly due to fallout from the recession but he predicted that this will become a lot clearer by the summer.

Vallino hopes that Cannes will be able to stay at a peak of around 11,000 business aircraft movements this year and he is urging authorities to raise the IFR arrival rate permitted under slot coordination from four per hour to five. The airport, which provides all handling directly to business aviation operators, has refurbished the reception desk and the crew lounge, as well as added a putting green for visitors to enjoy. Landing and handling fees have been increased by 2 percent, and special rates are now available to based business aircraft.

One clever innovation at Cannes has been the decision to run a jet-A fuel pipeline to a ramp situated in a security-restricted area. This avoids the need for fuel trucks to wait while they are cleared to enter the restricted area and so speeds up the refueling of business aircraft.

At its London-area Farnborough Airport **TAG Aviation** saw a 3.8-percent reduction in movements last year. TAG Farnborough chief executive Brandon O'Reilly said this downturn accelerated during the final quarter of last year and that it stems directly from the continuing financial crisis.

With the goal of obtaining permission to increase the total number of annual movements at Farnborough from the current limit of 28,000 to 50,000, TAG is now engaging in the public consultation process. Last summer, the private company opened the new Aviator hotel at the airport and it says that this is proving popular with both visiting flight crew and local customers.

According to O'Reilly, despite demand that has been rising until recently, handling price increases have been modest in the London FBO market over the past year. He indicated that limited airport capacity in southeast England is constricting opportunities for FBO growth in the region.

But the difficult market conditions are not discouraging every company from expanding its involvement in the FBO sector. **Ocean Sky** opened a new FBO at London Luton Airport on March 30. The UK company has signed a lease on the facility formerly occupied by Harrods Aviation before it developed

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What Can FBOs Do To Beat the Recession?

- "Don't get rid of good quality staff because you want to save money. Use them more efficiently, getting them to do more work, spreading job descriptions and doing more effective forward planning. It is important that you maintain your customers because trying to get new customers in a down market is expensive. Your best staff have relationships with your customers, and this is a relationship business."

  "International FBOs should try to get more control over the fueling side of their operations. In many locations there are still effectively fueling monopolies that hurt FBOs and their customers alike."–**John Enticknap, president, Aviation Business Strategies Group**

- "It will be a tough year, but those who look after their customers like their lives depend on it and offer exemplary service will be well positioned when conditions improve. It's all about personal, individual service with no compromises. We have always understood that." –**Brandon O'Reilly, chief executive, TAG Farnborough**

- "Undermining service levels is the fastest way to destroy business. You need to listen to customers and be flexible and innovative in providing the service they need. It is also important not to depend on just one source of income by offering a full range of revenue-generating services." –**Steve Grimes, CEO, Ocean Sky Jet Centres**

- "Give the best service possible. Do not turn down work on account of price if you have capacity. This is a time to be entrepreneurial."–**Robert Walters, business development manager, London Biggin Hill Airport**

- "It is at times like this that you can really show the difference between you and your competitors. You need to take extra special care of your customers now because competitors will easily try to take customers away with lower prices. The only way to avoid losing clients is to make them really aware of why your service is different. Our management understands this."–**Erturk Yildiz, handling manager, TAG Aviation Geneva**

- "Definitely not by price dumping but instead by raising standards and giving clients value for money. FBOs integrated into a global aviation company will have more chance to survive, thanks to the network and to the cross-selling effect."–**Bernard Ratsira, FBO director, Jet Aviation Geneva**

- "You now have to get a bigger piece of the pie so do everything in your power to increase your service offering, perhaps by getting into new areas such as handling for small regional airlines. Service differentiation is the key, and for this FBOs are reliant on a few very customer-service-oriented people. Reducing headcount will negatively impact service levels."–**Graeme Duckworth, group executive director, ExecuJet Aviation**

- "Just like any business: conserve cash, make painful but necessary cuts, focus on service and client retention, look cautiously for opportunities, manage risk with more attention to detail and give less credit. We already see that many fewer FBOs now give credit terms; this is worldwide. Three years ago FBOs would take incredible credit risks with operators they hardly knew. Now most FBOs internationally want credit cards or some kind of security if you are not a Blue Chip operator. And by the way, who is a 'Blue Chip' operator these days? Quite a reduced field of operators now." –**Chris Cartwright, co-managing director, Feras**

Oxfordjet is trying to position its FBO facility at Oxford Airport as a convenient and less expensive alternative to London-area airports.

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its current facilities at the airport. This is situated on Luton's south ramp and is immediately parallel to the runway.

The expansion is being spearheaded by the group's new Ocean Sky Jet Centres subsidiary, led by newly appointed CEO Steve Grimes. The company is also active in executive charter and already owns FBOs at Prestwick in Scotland and at Manchester in the northwest of England.

Ocean Sky has plans to establish a network of FBOs right across Europe and it is currently in the advanced stages of pursuing two other opportunities in both the FBO and MRO business. Sweden is one possible location for a new base.

Grimes sees the current downturn in business aviation activity as a good time for expanding an FBO network as long as the investors have a long-term strategy. Ocean Sky's main backer is a group of trust companies based in Luxembourg. He said that the opportunity to enter Luton as its third FBO would probably not have arisen a year or two ago when the airport was still in growth mode with new services such as Silverjet, the now-bankrupt all-business-class operation. "This [recession] is a good time to be building an [FBO] platform because opportunities are opening up at airports in Europe that would not have been there recently," said Grimes.

He predicted that the current market downturn will force some weaker FBOs out of the business. This could yield further growth opportunities for the three or four FBO groups that are committed to building large networks of international bases.

UK Gateways

Luton has become one of the UK capital's main business aviation gateways. At the same time, it has seen rapid growth in low-cost airline services and last year this resulted in mandatory full slot coordination there. However, Grimes said that there is still plenty of capacity outside the peak hours of 6:30 to 8 a.m. and 4:30 to 6 p.m. and added that even in these peak times it is still possible for non-scheduled flights to operate there.

"Signature and Harrods [the airport's two existing FBOs] are not satisfying demand because, with limited capacity for handling and parking, they are having to turn traffic away at peak times," Grimes told **AIN**. He said that parking stands are the main limiting factor at Luton. Ocean Sky is leasing its own ramp area and will also be able to provide hangar accommodation through a third party. Eventually, it might secure its own hangar.

The company is buying its own fuel truck and will sell Shell jet-A directly to avoid delivery delays for operators. It intends to compete primarily on service quality with Luton's established FBO and will differentiate itself with new offerings such as complimentary back and neck massages for passengers and crew.

Grimes acknowledged that many business aviation airports around Europe have seen a steep dip in traffic that began quite suddenly around October. Describing himself as an optimist, he predicted some recovery during the second half of this year, followed by more robust improvements next year. He added that the decline in traffic has not been across the board, with Ocean Sky's FBOs at Manchester and Prestwick not seeing a reduction in business.

In his view, there is still plenty of scope for service standards to be improved at many of Europe's FBOs. "People want quality service and they want to know that it will be consistent," Grimes told **AIN**. "It's just not there yet in many places," adding that often government interference or neglect stands in the way of good service delivery. One example of this is what he said is the UK government's failure to consistently provide for business aircraft passengers to complete customs and immigration procedures at FBOs through a pre-clearance process, rather than having to be taken across to the main airport terminal.

Grimes said that in a difficult economic climate the price of services is becoming more important to some operators. However, he concluded that overall service quality is the main factor in winning and retaining customers.

Another new arrival on Britain's FBO scene is the **Oxfordjet** facility at Oxford Airport, which is being redeveloped by new owners The Reuben Brothers. The new purpose-built 7,000-sq-ft FBO features three lounges and meeting rooms, as well as extensive crew facilities, including showers and a kitchen. According to James Dillon-Godfray, head of marketing and development, Oxford's landing fees are between 30 and 50 percent less than those at airports such as London Biggin Hill and "significantly lower" than those at Farnborough Airport, where fees are "significantly higher" for smaller business jets. He estimated that Oxford's handling charges are about 20 to 25 percent less than those at other London-area airports.

For aircraft staying for a day or more, Oxford also claims to offer affordable parking rates. Dillon-Godfray said that its rates are about one-seventh of those on the airport-controlled ramps of airports such as Luton, where business aircraft operators increasingly have to park when FBO ramps are full.

Over the next two years there are plans to develop up to 33,000 sq ft of additional office space. This would include adding a second floor to the Oxfordjet terminal building.

In February, Dubai-based **JetEx Flight Support** completed its first move into FBO management by acquiring the Flying Group facility at Paris Le Bourget Airport. The Belgian company has sold the FBO for an undisclosed sum so it can focus on its aircraft charter and management activities.

According to JetEx CEO Adel Mardini, the Paris acquisition is part of a long-term strategy to establish an international network of FBOs. The company plans to begin a comprehensive redevelopment of the Le Bourget premises to provide additional lounges and aircraft parking areas large enough to receive the Airbus A380. Its aim is to cater to the top end of business aviation, including head-of-state flights.

Mardini told **AIN** that JetEx has chosen to start its FBO network at a major business aviation gateway like Le Bourget, where there are already several established FBOs. Its aim is to raise the company's profile in the sector quickly and to demonstrate its resolve to set a high standard for service and facilities even in the face of stiff competition.

Until February 1, Flying Group occupied half of one of Le Bourget's main business aviation facilities, located at the airport entrance, but JetEx will now occupy the whole building. JetEx had owned half of the space but never occupied it because it deemed the site too small.

Flying Group has found Le Bourget to be an expensive and troublesome place to do business, having spent more than two years trying to overcome legal and bureaucratic hurdles to completing its planned development. The company spokesman described this effort as "the cost of entering the French market" and said that "only large companies with a lot of money" can survive in such intensely competitive FBO environments.

For Sandrine Jackson, director of Universal Aviation France, the fundamentals of successful ground handling for business aviation are unchanged. "The facilities themselves are nice to have but they are not the main thing," she told **AIN**. "It's the contact you have with people that can make all the difference. Retaining staff is important because it is hard to find qualified people and we need to keep them even during an economic crisis."

Jackson and her colleagues in the UK and Italy all agreed that while other businesses are quick to reduce their payroll during a downturn, this is a completely false economy in the FBO sector. Universal is taking advantage of the somewhat quieter periods to increase training opportunities for its staff.

"We are also investing in helping our third-party suppliers to provide better value and service levels," said Universal Aviation Italy director Lorena Carraro. She said that bureaucratic restrictions continue to stand in the way of improved service levels at many Italian airports, especially with regard to getting dedicated facilities and access to suitable aircraft parking space. By contrast, Universal's Le Bourget base has ample parking areas and sees this as a big competitive advantage.

As part of the wider Universal Weather & Aviation flight planning and support group, Universal Aviation has always viewed itself as more than just an FBO chain. "You need to find services that others are not providing and be more of a concierge than just a handler," said Universal Aviation UK director Sean Raftery.

"FBOs need to review their own businesses to examine how they are competing," said Raftery. "In the UK we are seeing more robust immigration and customs procedures that can stand in the way of service. But they are beyond our control so we have to find a way to work the system to the best advantage of our customers. Our service culture is all about anticipating customers' service needs rather than always reacting."

At London Stansted Airport, Universal

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Heathrow's Door Remains Open to Bizav

More than a decade after the BAA formally scrapped the availability of ad hoc slots at London Heathrow Airport, business aviation is still active at the UK's main gateway. Signature Flight Support, which operates the only FBO at Heathrow, has told **AIN** that it obtained more than 4,000 slots for business aircraft operators last year and anticipates that this number could actually increase this year.

Signature has the authorized software needed to access Heathrow's slot-allocation process and so can apply for slots on behalf of its clients. It is also able to check the system for slot availability and can quickly advise operators which times are likely to prove impossible and which would be more viable. With airline traffic declining at London airports in the recession, slot availability could actually be somewhat easier for non-scheduled operators this year.

Meanwhile, Signature has just completed a refurbishment of the former Interflight Executive Aircraft Services FBO at London Gatwick Airport. It acquired the facility last October and had the refit completed in time for anticipated government traffic associated with the G20 summit meeting held in London on April 2. The building now features three passenger lounges and a separate area for crew, and is equipped for the on-site security screening that is now required for some flights. *–C.A.*

Signature Heathrow

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wants to build a new facility as soon as the airport agrees to release the land needed for this. However, a recent UK government decision forcing airport group BAA to sell Stansted could delay this decision.

All of Universal's European managers reported increased price sensitivity among their customers. "Some clients are demanding reduced prices, and while we won't get into a price war we can offer some discount for volume business," said Jackson.

Biggin Hill Airport–located about 12 miles southeast of London's financial district–has also seen the negative impact of the credit crunch. Overall, business aviation traffic levels in 2008 remained the same as in 2007 at 15,000 movements. However, a growth curve came to an end in the fourth quarter of last year when traffic dropped by 25 percent. According to business development manager Robert Walters, the traffic decline during January was closer to 15 percent, suggesting that the slowdown might have abated.

"There will be a lot of consolidation in 2009 and those emerging on the other side will come out stronger with better working practices and maybe more stable for the future," he told **AIN**. "Hopefully people will not forget this time and will learn from it because it will happen again, maybe not for the same reasons."

In Walters' view the anticipated consolidation of the international FBO market will not necessarily be good for aircraft operators in the short term. "Some airports will have just one FBO, where there was competition before, and so prices could rise," he predicted.

According to Walters, another factor in the evolution of the market will be the arrival of growing numbers of very light jets, whose operators will not necessarily want to pay for everything provided by the full-service FBOs. "All they need is the most basic of services, and they may even self-handle," he said. "This will mean that some operators might be forced out of airports on the grounds of cost as FBOs may not be able to afford to subsidize the low-cost operators. They need the big spenders to pay the rent and to cover other rising costs at airports."

Privately owned Biggin Hill is pressing ahead with development work planned before the economic crisis hit. In September, Bahrain-based charter operator Rizon Jet is due to open its new FBO at Biggin Hill. This facility is being developed specifically to cater to Middle Eastern passengers and will include a prayer room.

Charter brokerage group Air Partner is building another FBO at Biggin Hill, largely to support its own charter flight operating division. This facility is due to open in the middle of next year.

Biggin Hill is also finalizing plans to expand its ramp space and to start building a 50,000-sq-ft hangar next to the main terminal. This will be able to accommodate aircraft up to the size of a Gulfstream G550 and permanent parking space is available for rent.

Three of ExecuJet's facilities made the top 40 list of international FBOs. The company's Berlin facility, which was not included last year, ranked number 25 this year.

Also in the competitive London-area FBO market, **Harrods Aviation** has continued to invest in its facilities. Last year it completed the construction of a new FBO at Luton. Its passenger lounge at Stansted has undergone a substantial refurbishment and more upgrading is planned before the end of this year. "We are maintaining our commitment to providing the most luxurious surroundings," said a company statement. "In times of economic uncertainty, knowing your customers and your market is key."

Switzerland's Geneva Airport has been one of Europe's primary gateways for business aviation, but even there traffic levels have been falling since around last September. According to Erturk Yildiz, handling manager of the **TAG Aviation** Geneva FBO, the number of movements received in January 2009 was 24 percent down on the same month in 2008. The sudden decline has come after several years of growth rates that were as high as 25 percent per annum, although the increase experienced over the whole of 2008 was already slowing to 8 percent.

In Yildiz's view, the downturn in traffic is directly related to the mounting recession and its impact on what he described as the "luxury end" of business aviation. He said that charter traffic has been affected particularly strongly by reduced demand for flights and added that it will probably not be clear until after this month's EBACE show in Geneva whether the business aviation industry has reached the bottom of the trough in the market's current cycle. In any case, TAG Aviation is not planning any reduction in the resources it commits to the handling side of its business, at least until June, when the situation might have to be reviewed if demand continues to fall at such a steep rate.

According to Bernard Ratsira, the FBO director at TAG's Geneva neighbor **Jet Aviation**, the slight softening in traffic levels experienced in the early part of this year has to be viewed against a backdrop of well above average growth in the previous two years (24 percent in 2007 and 6.5 percent in 2008). The 326 aircraft handled in January 2009 represented an 18-percent decline from January 2008, but revenues did not decline to the same degree because the average size of the aircraft received was relatively high. Also, Jet Aviation benefited from extended stays of aircraft operated by clients from the Arabian Gulf states.

Ratsira told **AIN** that beginning in October there was reduced activity among executive charter and fractional ownership operators. However, in his view this is by no means a clear or lasting trend because in the months since then there have been fluctuations, with charter flights by operators based in Austria, the UK and France picking up over this period. At the same time, he maintained that aircraft directly owned and operated by private individuals and companies with healthy cash flows have not stopped flying to any significant degree.

Meanwhile, Jet Aviation and the three other FBOs at Geneva have continued to struggle with the airport's insistence that most of their customers park their aircraft in a converted automobile parking lot three miles away on the opposite side of Runway 05. Further headaches have come from runway capacity restrictions and new security requirements that mean it can take up to 10 minutes to make the short journey from groundside to airside through a single control point shared by Jet Aviation, TAG and PrivatPort.

These factors have significantly increased the workload of FBO personnel. Ratsira said that even though he added three employees last year the amount of time spent with bureaucracy means that it is hard to pay sufficient personal attention to customers, who in some cases have become frustrated. He gave the example of a single Cessna Citation movement that had generated more than 30 pages of e-mails and faxes to ensure that all arrangements were in place. The remote parking situation, in particular, has made it harder to ensure that fuel and catering are provided in a timely way.

Indeed, the daily grind of delivering quality service at Geneva became such a hassle that five experienced staff left Jet Aviation during 2008. Ratsira said that the company now has to pay even more attention to staff training and quality management to ensure that logistical challenges that are beyond its control don't undermine service standards. He said that ideally Jet Aviation would like to expand its facilities at Geneva but that in the current business climate this is "wishful thinking."

The picture is fairly similar at Jet Aviation's Zurich base, where there has been a decline in traffic in recent months but not for entirely predictable reasons. FBO director Robert Whitehead said that recent slot statistics show traffic down by as much as 29 percent. This number hides significant fluctuation in that November saw a big drop but was followed by a busy December, with throughput boosted by a bumper skiing season. January's subsequent shift in weather saw skiers opt to fly direct to St. Moritz, and what might have otherwise been a quiet February was bolstered by traffic generated by the World Economic Forum in Davos.

Some of the decline in traffic at Zurich has been due also to the July 2008 move to mandatory handling, which has discouraged some smaller aircraft from landing there. Looking ahead to the rest of this year, Whitehead expects to see an overall fall in traffic, especially in the number of larger aircraft arriving from North America.

Jet Aviation's Zurich team has faced an increased workload from the new requirement to provide security screening for flights. The process of checking passengers'

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International FBO Survey: The Customers Have Spoken

Once again, half a dozen large, well funded companies dominate the annual **AIN** reader survey of international FBOs. But there is still some room for a few feisty independents who have caught the eye of the only people whose opinions matter: the customers.

TAG Aviation has only three FBOs. Two of them have made their way into the top five in **AIN** readers' rankings. Farnborough is the number-one ranked FBO for the third year running and TAG Geneva is number five.

The global Jet Aviation group accounts for one in five of the **AIN** top 40 international FBOs, and two of its nine FBOs have made the top ten: Dusseldorf at number seven and London Biggin Hill just behind it at number eight.

Signature Flight Support has eight of its bases in the top 40. This includes the Hong Kong Business Aviation Center (in which it is a partner), once again running a close second behind TAG Farnborough. The company's new Munich facility is also in the top 10.

Universal Weather & Aviation has four of the top forty FBOs in the **AIN** survey. This includes its Paris Le Bourget operation, which shares the number-nine position with Harrods Aviation's Stansted operation. (Harrods's other London operation also made the top 40.)

ExecuJet Aviation accounts for three of the top 40. Of these, its FBO at Switzerland's Zurich Airport is ranked at number four.

The other top 10 FBOs in the **AIN** rankings are Grafair Jet Center in the Swedish capital Stockholm in the number three position and South Air in Keflavik, Iceland, in the tenth spot.

So almost 60 percent of **AIN**'s top 40 international FBOs are now owned and run by six companies. This seems to lend weight to the view that recent years have seen significant market consolidation.

The rankings also reveal a distinct geographical concentration in terms of where the better regarded FBOs can be found. Eight of this year's top 40 are in the UK, with five each being in Switzerland, Germany and France. *–C.A.*

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bags and coats has become time-consuming, as has the constant challenge of juggling the restricted aircraft parking space at the airport.

One trend that might be related to pressure for business aircraft operators to reduce costs is that flight crew seem to be spending more time in the Zurich FBO and are doing fewer overnight stays requiring hotels. This has prompted Jet Aviation to introduce a sleeping room that was scheduled to open at the end of last month to allow pilots to rest away from the noise of televisions and computers in the main lounge.

Whitehead said there is little scope for FBOs such as his to reduce handling prices because their overheads continue to be high. "Everyone in our industry is just hanging on to see what will happen, but this is a good time to show that you are good at what you do and to be even more conscious of service standards," he told **AIN**. He added that difficulties in getting some bills paid on time has made Jet Aviation less inclined to extend credit to some operators.

"It is a fine line that we [FBO managers] now walk," Whitehead commented. "We have to hope traffic doesn't go too low and that it won't stay low for long. If it did, we would eventually have to downsize, but we employ quite a few part-timers and so can play around with hours. Also, we now hire ground support equipment rather than owning, so that is an easier cost to control."

At the far eastern end of Europe, **Gozen Air** in Turkey has reported a 20-percent decrease in traffic that it attributes directly to the economic crisis. The company is expecting to see a 10-percent drop in its business over the course of this year compared with last year.

At Istanbul, Gozen is planning to open a new hangar large enough to accommodate aircraft up to the size of a Gulfstream IV. It now has plans to expand at other locations.

Middle East Expansion

Operations at Kuwait's new Royal Terminal FBO started on April 30, 2008. The $42 million facility was developed by local company **Royal Aviation Kuwait** in partnership with U.S.-based Mercury Air Group. Mercury's involvement was largely at the planning, development and early operational phase, and the purpose-built facility is now largely being run by Royal Aviation personnel.

However, Mercury has recently signed an agreement to provide fuel to the location through a new partnership with local interplane agency Kafco. The U.S. company has already introduced U.S.-style centralized billing arrangements at the Royal Terminal so that operators do not have to deal with a complex string of bills for various services.

The Royal Terminal is a three-floor structure spanning just over 100,000 sq ft. One part of the complex is set aside for airliner operations, with standard check-in desks. This was originally to have been used for larger charter flights but is now to be occupied by the new scheduled airline called Wataniya Airways that Royal Aviation has launched to serve routes such as Dubai, Cairo and Mumbai.

The FBO, which is equipped for all modern flight support functions, features four separate passenger lounges to serve different guest groups, ranging from business people to members of royal families. The building also includes two crew lounges, customs and immigration facilities, a five-star restaurant, an Arabic coffee house and a mini-mall filled with luxury stores.

There is ample ramp space immediately adjoining the terminal. This includes partially covered structures to allow up to eight airliner-sized aircraft to be parked in the shade.

Despite the fact that economic growth in the Middle East now seems to be somewhat constrained by the worldwide financial crisis, Enticknap said there is still plenty of scope for further market growth in the region's young FBO sector, albeit at a somewhat slower rate over the next year or so. Mercury has further ambitions for FBO development in the region and stands by its marketing studies, which showed that around 20 to 25 percent of new business aircraft on order are heading for that part of the world.

According to Enticknap, many of the Middle East's executive terminals are still effectively under government control. He said that the Kuwait development was a rare example of an airport authority leasing land to an FBO developer–a business model that is close to the standard model of FBO development in the U.S. In his view, opportunities to develop true FBOs in countries such as Saudi Arabia have been limited, but he suggested that this situation might be improving.

"The infrastructure [in the Middle East] is still pretty awkward in many places, and many operators have to deal with handlers who are effectively just middlemen," he explained to **AIN**. "Parking arrangements can be fairly haphazard and the handling can get messy and needs better coordination."

In Dubai, business aviation service companies are positioning themselves to expand into the new Al Maktoum International Airport (also known as Dubai World Central). One of the first to commit to establishing an FBO is **Palm Aviation**, which announced its $11 million plans last November, and both JetEx and **Elite Jets** intend to open FBOs at the new gateway before the end of next year.

Abu Dhabi-based **Prestige Jet** bought Spanish executive charter operator Flylink Services last year and intends to use this as a bridgehead for expanding into the European business aviation services market. The company has also announced plans to develop FBOs in Jordan, Bahrain and Qatar.

Australia-based **Hawker Pacific** has set for itself the ambitious goal of building the top FBO network in Asia. In addition to its existing bases at Sydney, Brisbane, Cairns and Singapore, the company last year opened

Royal Aviation's Kuwait FBO has four separate passenger lounges, to serve guests from business people to members of the royal family.

the new Skypark FBO Malaysia facility at Kuala Lumpur's Subang Airport through a joint venture with ExecuJet Aviation.

In December 2008, the company broke ground on the development of a new business aviation center at Shanghai's downtown Hongqiao Airport and this is expected to be open by year-end. The complex is a joint venture with the Shanghai Airport Authority and will consist of a 27,000-sq-ft building and more than 100,000 sq ft of ramp space, along with adjoining aircraft maintenance facilities.

The new Chinese FBO will be run jointly by Hawker Pacific and the airport authority, and the partners are now starting the planning phase to begin operations, including staff recruitment. Some staff will be appointed by the airport authority and some by Hawker Pacific. All will report to a general manager who is accountable to the joint venture's board, which consists of directors from both organizations.

According to Douglas Hendry, Hawker Pacific's general manager for FBOs, while the company has seen a reduction in international traffic coming to its Australian bases, domestic business aviation traffic seems to be holding steady. He indicated to **AIN** that an initial period of "panic" in reaction to the worldwide financial crisis has cut into flying activity but that the industry might now be entering a more moderate period of consolidation.

Meanwhile, government-owned Airports of Thailand and the **ASA Group** have resumed discussions about plans to establish a pair of FBOs in Thailand. Under the proposed deal, ASA, which is owned by British entrepreneur and security specialist Simon Wagstaff, would take over the management of the Thai government's VIP terminals in Bangkok and Phuket.

The VIP terminals at Bangkok Don Muang Airport and Phuket International Airport are currently used only by a small number of government aircraft and some occasional corporate traffic. Under an agreement with the government's Airports of Thailand authority, ASA hopes to be able to draw more business aircraft to the facilities and share the increased revenues with the government. ASA intends to make the premises fully available to customers of other handling providers.

Customs and immigration clearance can be handled quickly at the two buildings, both of which have extensive adjoining ramp space for aircraft parking. According to Wagstaff, Don Muang Airport is a far more convenient gateway to the Thai capital than the new Bangkok International Airport and is a 15-minute drive from the city center.

Last year, one of Jet Aviation's greatest achievements was to open a new executive terminal at Beijing Capital Airport in time to receive business aircraft flocking to the Chinese capital for the 2008 Olympic Games. The 35,474-sq-ft facility, opened in partnership with Deer Air, includes conference rooms, executive and crew lounges, refreshment areas, weather briefing and flight-planning space and client offices. Full customs, immigration and security screening is available around the clock and passenger handling is provided in partnership with Capital Jet.

Separately, Jet Aviation's Singapore FBO team has received the 2009 Frost & Sullivan Asia Pacific Aerospace and Defense Award for FBO Operator of the Year. The Switzerland-based group has long had an FBO at Seletar Airport and provides handling at Changi International Airport. ❑

CORRECTION: BUSIEST FBOs WORLDWIDE

Last month **AIN** listed the top-40 busiest FBOs worldwide by the number of responses (page 24). The overall averages listed were incorrect. The correct chart is now available in the online version of the report at www.ainonline.com/resource-center. **AIN** apologizes for the error.