

FBO

READER 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.

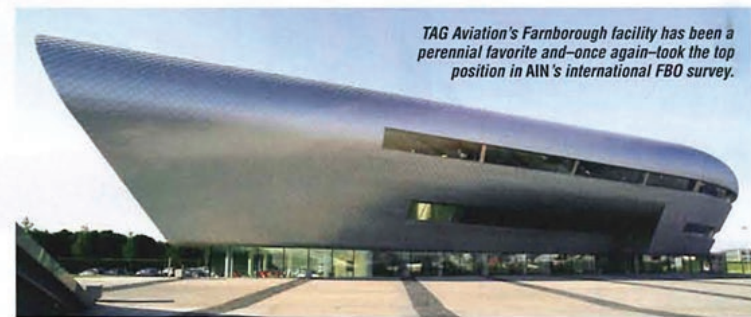
That said, there is ample sign of stoicism and a survival instinct among FBO executives. Many pointed out that the drop in traffic has to be viewed against a backdrop of unprecedented strong growth in markets such as Europe, the Middle East and Asia over recent years. It remains to be seen whether the 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 opera-



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—look the top position in AIN's international FBO survey.

tors, 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 miti-

gate 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.

COMPLETE LISTING

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



Cannes-Mandelieu Airport

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	Hyères	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.

Continues on next page ►

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-

► Continued from preceding page

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 Africa.

"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

Continues on page 24 ►

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**