BUSINESS AVIATION 'CAN WAKE SLEEPING GIANT' OF NIGERIAN ECONOMY

News / Business aviation



For a hint of Africa's potential as a business aviation market, look to Nigeria. The country is home to 174 million people and has a landmass of 923,768km² but has only 35,900km of often-dangerous roads. This vast oil-rich nation has an installed fleet of 97 business aircraft, surpassed on the continent only by South Africa's 167.

Moreover, Nigerian business aviation would appear ripe for development. There are just two air ambulance companies and 39 airstrips – 26 paved – to serve 36 states and 159 oil refineries.

Poor governance and corruption, however, has for years undermined investor confidence, but this situation may be changing under president Muhammadu Buhari, elected in May 2015 on an anti-corruption ticket. He has his work cut out with several key government aviation agencies mired in debt thanks to past misuse of national funds. For example, he inherited a Nigeria Civil Aviation Authority (NCAA) unable to train workers and dispatch aircraft inspectors. According to Nigeria's *New Herald* newspaper, between 2012 and 2014 the NCAA struggled to pay salaries. The issue came to a head during a scandal over the purchase of two bullet-proof cars for NGN255 million ($1.28 million) that resulted in the dismissal of a former minister of aviation as well as the chief executives of the NCAA, the Federal Airports Authority of Nigeria, the Nigerian Airspace Management Agency and the Nigerian College of Aviation Technology.

The new government does appear to be courting foreign investors. Some US banks, for example, are now regarding Nigeria more favourably and financing private aircraft entering the nation's fleet. But reform of a tarnished regime is neither instant nor without pitfalls. Speaking in March in Lagos, at the third Nigerian Business Aviation Conference, Segun Demuren, who runs fixed-base operation and aviation services company EAN Aviation at Lagos's Murtala Muhammed airport, stressed: "Our government needs to ensure regulators and operators play by the rules to engender confidence to get investment here."

Specifically he noted foreign creditors have often had trouble extracting aircraft from Nigeria when owners default on payments: "The court system needs to understand you can't afford to mess around with millions of dollars because you don't understand the rules. Once someone produces a

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document to say they're owed money, the government has the power to deregister the aircraft straight away and release it. Chase him for the money then let the aircraft go."

And the new government's drive to root out corruption has had a direct impact on the aircraft market. Also speaking at the Lagos conference, Alex Izinyon, head of charter operator Izy Air, added: "People who were favourably disposed to the previous government are now selling jets. They had access to lots of things to fund jets and can no longer afford them, so they put them on the market – it has made a difference."

Economic forces beyond the government's control are also at work. Low global oil prices have hammered aircraft demand in this oil-dependent economy. Many oil and gas clients "could not meet up with payments," according to Achuzie Ezenagu, who heads Toucan Aviation, which provides private aviation lift to the sectors.

Meanwhile, the soaring value of the US dollar has hit hard. Nigeria's official exchange rate is NGN199 to the dollar, but actual rates on parallel markets can exceed 300 – a nightmare for companies selling services in Nigerian naira but paying for aircraft and parts in dollars.

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Asset Image

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Hawker aircraft, like the 900XP, dominate the Nigerian business aviation fleet

Hawker Beechcraft

To compound the problem, Nigeria charges a 5% import duty on parts and on aircraft, in direct conflict with its zero rate on moveable assets obligations under the Capetown Convention. Operators also pay annual ground rent on infrastructure and are taxed 5% of turnover – and rumours circulate of impending luxury taxes.

BASIC MAINTENANCE

Nigerian operators, meanwhile, work against another huge foreign exchange burden, spending some $305 million yearly on maintenance overseas – because there is no major facility in the country able to do heavy checks. Izinyon said he is considering building a maintenance, repair and

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overhaul facility in Nigeria but technician training typically has to be done abroad, another drain on scarce US dollar reserves.

Bo Schjønning-Larsen, ExecuJet's in-country maintenance manager, said his firm is training seven local technicians, and EAN also has two engineers in training. But Schjønning-Larsen pointed to the chicken-and-egg cost-and-demand dilemma preventing expansion of Nigeria's domestic maintenance capacity. For now, he said, operators and owners go to South Africa or Cyprus for C-checks, adding: "Many owners do their line maintenance in their second domicile as it's cheaper."

As for actual operations, getting flight approvals and clearances remains a largely manual process. Permits still take about six hours, so unscheduled operations and last minute requests can be a major headache, and not only in Nigeria. According to Toucan's Ezenagu: "When we overfly Ghana it's difficult, so we need to speak to a national security advisor for an overflight permit. It's also easier to be on a foreign registry if you want to get to some places in Europe."

He added French-speaking countries are slower than English-speaking African countries to respond: "There are 54 different systems in 54 different countries."

According to Demuren, investing in technology to automate processes would assist with resolving legacy corruption issues. He said: "With the manual way there are leakages, with fees going into people's pockets we don't know about."

Difficulties don't stop once airborne, either. Especially for rotorcraft, flying around Lagos at night is hazardous, owing to illegal mobile phone and other masts not marked on even the most up-to-date charts. Pilots do their best to keep abreast of conditions and share findings with peers, but Dr Harold Demuren, the longest-serving director general of the NCAA and a current board member of the Flight Safety Foundation, is adamant something needs to be done, and fast. As he told the Nigerian business aviation conference: "It's impossible unless we mark masts in charts, to make sure we have proper navigation, so we have to have restricted night operations.

"We need to solve the question of night operations for helicopters. Most helicopter operators in Nigeria have had to map their charts themselves."

NEW PLAYERS

Despite the many challenges, the business aviation industry is attracting new entrants. Atedo Peterside set up ANAP Business Jets a year ago; the country's first fractional ownership company operates two Phenom 300s. He said: "We are not in the luxury business. Our typical client cannot afford to own a plane all by himself. He won't commit investible dollars to an asset that doesn't fly."

Ultimately, there is money in Nigeria and this is reflected in its private aviation community; the country's burgeoning economy has seen a 305% growth in millionaires over the last ten years. Operators say that just one out of every 100 private aviation trips is for pleasure, the rest are for business. To date there have been 5,000 jobs created by business aviation in Nigeria, bringing $685 million to the country's economy and accounting for a quarter of the entire aviation industry's contribution to GDP.

Local players believe that with supportive government policies, the aviation industry is capable of boosting the country's GDP exponentially. As Captain Nogie Meggison, chief executive of the Airline Operators of Nigeria concluded at the Lagos conference: "We are hoping that this administration will look at aviation and wake up the sleeping giant."

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