BUSINESS AVIATION IN NIGERIA

News / Business aviation



The third edition of the Nigerian Business Aviation Conference (NBAC) took place this month in Lagos, Nigeria. Organized by local player EAN Aviation, the event attracted 150 delegates and sparked intense discussion among attendees, spawning new working groups and further collaboration between industry and government. The Nigerian business aviation market is expanding, not only in terms of corporate jet users but also in the fields of medevac, surveillance, logistics, agriculture, cargo, security and rescue services. Last year, 25 percent of the country's annual aviation income ($685 million) came from the business aviation market, and it is set to grow from there.

That said, today just 39 airports in Nigeria serve a country with a population of 174 million, and just 22,307 miles (35,900 km) of paved road link its 356,669 square miles (923,768 square kilometers) of territory. The other large African corporate aviation market is South Africa, which has one third of Nigeria's population and 4.4 times more paved road.

A key issue appears to be poor communication between the government and private sectors. Eng. Ben Adeyileka, director of airworthiness standards, and Dele Sasegbon, a director in the Directorate of General Aviation for the Nigerian Civil Aviation Authority, pledged to set up a workshop to help potential operators in speed the process of obtaining air operator certificates. Several operators and owners were among the attendees and there was a real sense of desire for change in line with last year's election; the new government came in on an anti-corruption ticket and many of those in attendance spoke passionately about their commitment to this welcome

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development.

Infrastructure in Nigeria has a long way to go before it can serve the general populace, and the best way to do that is through business aviation, asserted Segun Demuren, CEO of EAN Nigeria at the recent Nigerian Business Aviation Conference. There are only 39 airstrips (26 of which are paved) serving 36 states and 159 oil refineries in challenging terrain. The largest business aviation market in the continent–South Africa–has four times the number of roads that Nigeria has. And the roads are not just few and far between; they are death traps. The 35,000 deaths from road accidents annually in Nigeria is the highest toll in Africa. Ten thousand people perish simply because they can't get to hospital in time. There are only two air ambulance companies.

Demuren believes the way forward is for investors to build private airstrips and other developments. He said, "We are undergoing the same kind of mechanical revolution that the U.S. did in the 1950s and need to build accordingly." He, and others at the conference, believe that Nigeria can develop into a major agricultural hub if it builds runways, roads and silos for grain storage. He also believes that serious entrepreneurs could pay for airport development in collaboration with the government, at both the national and state level. "Public-private partnerships could help our country grow," he explained.

TAXATION DISINCENTIVE

Another contentious issue is the brutal financial penalties imposed on doing business, which the players consider unfair, if not sometimes downright illegal. In 2006 when Nigeria signed the Cape Town Convention, the Treaty allowed aircraft to be used as collateral. Part of that deal is that they are non-taxable, since they are deemed "moveable assets." However, Nigeria imposes a 5 percent import duty on aircraft. To add to operators' woes, there is a further 5 percent import duty on essential spare parts, plus a yearly ground rent rate for infrastructure, plus a service charge on the ground rent, despite the fact they are already paying for the service. Add to the burden a 5 percent tax on revenue (not profits) and the threat of a potential new "luxury tax," and it becomes apparent why investors in Nigeria are cautious about adding private aviation to their portfolio.

However, 'tis not all doom and gloom. The country has seen three-fold growth in the number of millionaires over the last decade, which has also witnessed investments of $2.5 billion in the industry, consisting of $1.4 billion in aircraft, $600 million in support services and equipment and a further $500 million in working capital. Although Demuren is pleased about the growth, he warned that "We need another $50 billion over the next 28 years to continue developing in line with other countries.

"**ESSENTIAL SAFETY INFORMATION NOT AVAILABLE IN PARTS OF AFRICA**

Developing safety procedures and a robust infrastructure to support them is essential for business aviation's growth in Nigeria. In particular, the nation needs to provide accurate, up-to-date obstacle charts to ensure safe operations, said attendees at the Nigeria Business Aviation Conference.

One delegate pointed out that it is difficult to set up a helicopter operation, for example. He said, "Our country is very large with difficult terrain. I don't know of a better asset than a helicopter for getting around efficiently and safely; however, we need more infrastructure finance and the right regulations."

Indeed, night operations for helicopters are fraught with difficulty because of unknown obstacles. Dr. Harold Demuren, former head of the Nigerian Civil Aviation Authority, said, "There are lots of unmarked GSM masts that shoot up overnight, it seems. It's impossible to get around unless we

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mark masts in charts to make sure we have proper navigation, so therefore we have to have restricted night operations." He added, "Most operators in Nigeria have had to map their charts themselves." In fact, local firms fly around Lagos and collaborate to identify masts, some of which are illegal, and share their findings with others. Demuren pointed out that the entire country has a "big interest" in bringing in large heavy-lift equipment, such as power supplies for remote areas, and the most efficient way to do this is through helicopters, but it needs to be done with an eye toward safety.

Further complicating matters is that CAA departments sometimes inadvertently issue out-of-date charts. Toucan Aviation's Achuzie Ezenagu said that one of his pilots received an old map that showed an out-of-date runway in Bauchi Airport. There is a solution, attendees said. Gbemi Abudu, v-p of sales for Anap Jets, added, "Even if the government is not investing, there are some individuals who have the resources to do that."

OPERATORS SEEK HOME-GROWN MRO

MRO availability in Nigeria remains woefully inadequate, and it is up to private industry to make the case to the government for improving it. That was the message from Segun Demuren, CEO of EAN Aviation, at the recent Nigeria Business Aviation Conference.

"Nation building in any part of the world requires a huge reliance on the government for everything, and this is where the private sector can work with government. Responsibility falls on the private sector first when making the business case. You see opportunities and revenue generation from that. There are times when the government doesn't see it."

Today business aviation operators spend $305 million abroad on maintenance because there are no large MROfacilities in the country, although ExecuJet offers base inspections. However, other complications can interfere. Alex Izinyon, president of IzyAir, said, "For base inspections we still have to fly out. It's a massive investment to have that capability here. We don't have the infrastructure to carry it with the duties on parts. How can you carry maintenance that huge if bringing in kit is expensive? I can be in Cyprus in four hours to our partner facility to get work done. Line maintenance doesn't cut it for what we're looking for."

EAN Aviation has two line maintenance engineers training in Scotland. ExecuJet has paid for seven local trainee engineers, but "It takes a long time to build a good engineer ready to stand in the middle of Africa on AOGs and do the job when it breaks down," explained maintenance manager for Nigeria Bo Schjonning-Larsen. He continued, "We need operators to buy into this as it has already cost us nearly a quarter of a million dollars accommodation and training are factored in." Izinyon also hinted that he intends to open an MRO facility in the future.

Hope is on the horizon since NCAA director general Dele Sasegbon told delegates, "There's going to be a forum between government and yourselves to talk about maintenance. There's lots happening you don't know about. It is important that the government can participate financially."

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