



HOW BUSINESS AVIATION CAN AID THE BUSINESSMAN

BUSINESS CLASS GOES PRIVATE

A rich man's toy or an efficient use of an executive's time? Large business aircraft are traditionally used by the company's top brass, but for its executives there are cost-effective alternatives to scheduled flights, provided the right business aircraft types are used. *Altitudes* considers the alternatives for the Middle East market and speaks to Karim Hijazi of Air Synapsis on how they must compete with scheduled flights on price and transparency. **BY Frances Barton**

Karim Hijazi is on a mission to put the ‘business’ back into business aviation. In a region where the market is focused on the luxury travel requirements of VIPs, he sees another type of traveller – the businessman. “Middle East Charter operators are using large and medium-sized business jets which are ideal for VIP operations,” says Hijazi. “However, CEOs are unaware of how cost-effective it is for their executives to use alternative business aircraft to travel within the Middle East region, rather than an airline, and that’s what I’m trying to shift. It’s a paradigm shift, a change in the current perception of business aviation, but one that will benefit regional businesses in terms of time and money.”

Previously a pilot in the French military, Hijazi developed his business model for the aviation market in the Middle East where he is now based, as Piaggio’s Authorised Sales Representative within the GCC countries, Jordan and Lebanon.

The business model is based on a deep analysis of the market, a businessman’s habits, the main routes, and the appropriate aircraft type for cost-effectiveness. “When you consider distance, it’s not only based on kilometres,” he explains. “Distance in transportation terms is defined by what is slowing down the movement (travel friction) and can also be expressed as time. As such, the transportation ‘distance’ between Dubai and Riyadh for example, using an airline, is about

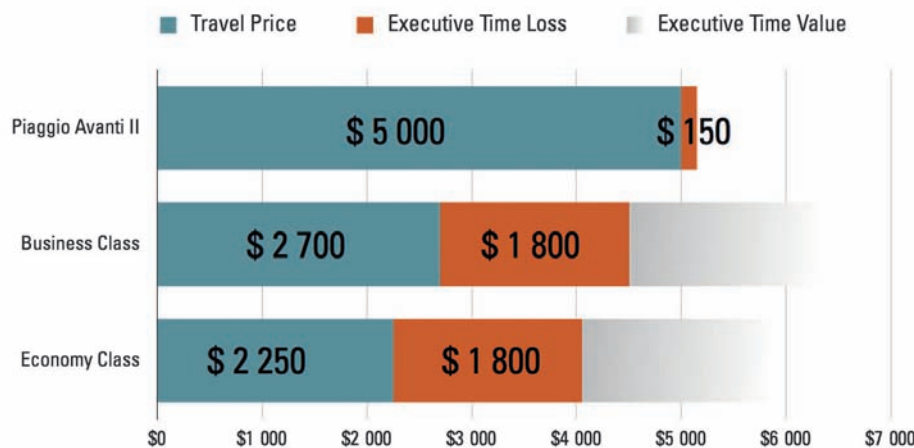


three times more than with business aviation, because of check-in procedures, immigration, etc.” This is particularly noticeable on short-range flights across the gulf region, where airport procedures can take longer than the flight, causing a considerable waste of time and reducing business productivity through the induced loss of income. Consequently, the business trip can cost a lot more; maybe

A COMPARISON

Three executives are travelling round-trip from Dubai to Doha. If flying by an Avanti, the cost will be \$5,000 (as proposed by Hijazi), compared to the cost of flying on scheduled flights (\$900 each for Business Class tickets; \$750 each for Economy). To this must be added the executive time cost, which is his hourly salary rate. Using conservative numbers of \$100 per hour, the air-

port procedures, flight duration and inadequate airline schedules will induce an average of six hours’ loss of productive time* per executive, about \$1,800 (three executives x six hours, x \$100/h), making the value of the trip around \$4,500 for Business Class; \$4,000 for Economy. Also to be considered is the executive time value, which is the revenue generated by the executive per



working hour. To be productive, an employee must generate more income than what he costs the company. Productivity ratios range from 1.5 x 1 for low-level employees, up to 10 x 1 or more for CEOs. This shows the real value of the trip, with scheduled flights potentially far exceeding the cost of an appropriate business aviation alternative such as the Avanti. The total chartering cost is \$5,150, where the cost per hour is \$2,500 and airport procedures take some 15 minutes at either end of a flight. Thus, when executive time cost and time value are taken into account, the cost of using a business aircraft is similar to scheduled flights, with the added benefit of flexibility.

*Six hours represents a two-hour flight outbound, a two-hour flight inbound and two hours undergoing airport procedures (1.5 hours for departure, 0.5 hours on arrival).



BY USING BUSINESS AVIATION SERVICES INSTEAD OF SCHEDULED AIRLINES, COMPANIES CAN RETAIN A SIGNIFICANT AMOUNT OF PRODUCTIVE TIME FOR THEIR EXECUTIVES, BY AVOIDING TIME-CONSUMING AIRPORT PROCEDURES.

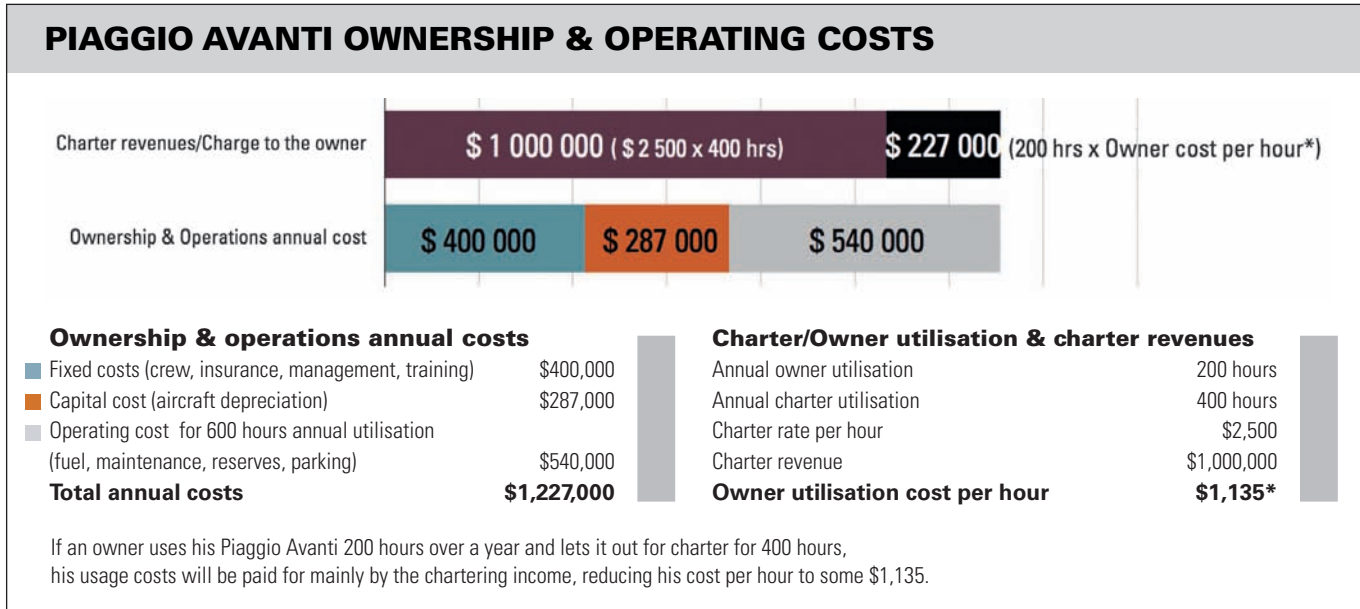
three times as much as the actual the price of the airline ticket. Hence, a cost-effective business aviation solution could compete, moneywise, with scheduled flights.

The Benefit of Flexibility

By using business aviation services instead of scheduled airlines, companies can retain a significant amount of productive time for their executives, by avoiding time-consuming airport procedures. Another benefit that cannot be overstressed is flexibility. If a meeting overruns, for instance, businessmen would either have to cut short the meeting, or take the next flight instead. A short phone call to the captain is all it takes to keep the chartered aircraft on standby and to continue the meeting to its, hopefully, successful conclusion. What if they have to go on to another meeting in, say, Kuwait? A commercial flight would cause them to stay overnight and take the next scheduled flight. With a chartered aircraft, they can easily make their meeting and be home in time for tea.

Transparency & Cost-Effectiveness

However, business aviation operators need to offer a viable, cost-effective alternative to scheduled airlines in order to be attractive to the business traveller. In today's competitive market, price is king and operators would be wise to be a lot more transparent in pricing, says Hijazi. "Transparency is vital when attracting companies new to the concept of business travel. They are used to the airline model of fixed prices, with no hidden costs for catering or such like." Using the Piaggio Avanti 11 at a fixed rate of US\$2,500 per hour in his business case (making the trip some \$5,000 in total), Hijazi makes a compelling argument for the benefits of business aviation within the region. However, he is quick to stress that he is not working on this business model because of his connection to the company. "On the contrary," he says. "I chose the Avanti originally because it was the ideal aircraft for my company's business model and now I'm supporting Piaggio because I want to advocate the use of this aircraft to fill this gap in the Middle East market."



Added Value When Buying

Hijazi points out that, with such a conservative charter rate, it's not a segment for making huge margins but more for increasing interaction and securing volume with regular corporate customers. "It's not about big profits, more about adding value for the customer. Operators will fly people in from Europe and then can continue to carry them around the region using the Avanti." He wants to work more with operators, advising them on the benefits so that they, in turn, can recommend the aircraft to potential owners.

Owning an aircraft is again about added value, rather than making operational profits. "When you own an aircraft, you can, of course, put it on the charter market and earn revenue in order to decrease your costs, allowing you to have the service virtually for free. But most importantly you will be able to gain productivity by generating profits out of the time you saved over using the airline," says Hijazi. "I'm currently working with a bank which is very interested in owning the Avanti for travel to its branches across the region. They are working hard on how to justify investing in such an asset to their shareholders. I've suggested that, in addition to putting it on the charter market, they can make the aircraft available to their corporate clients as a service. They can charge a low

rate or even offer it for free. In this way, they'll spread the fixed costs of the aircraft and offer a powerful and unique corporate service, bringing remarkably high added value to their most valuable customers."

The GCC market is ideal for chartering due to its short-range network. "If you have a good charter network, focusing on the six main destinations, you can easily avoid costly empty flights," says Hijazi. "The proximity of the destinations doesn't require crew rests, entailing hotel stays. However, an empty flight between Doha and Dubai wouldn't be too expensive in case you need to bring the aircraft back."

Isn't it noisy?

Potential buyers typically enquire about the engine safety, cabin noise and turbulence stability of the Avanti. Safety is covered by using the world's most popular engine in its class, the Pratt & Whitney PT6, which has amassed over 300 million flying hours, while the Avanti's pusher configuration directs sound toward the tail of the aircraft, minimising the cabin noise level as low as 68 dbA, one of the lowest ever measured in turbojets. In terms of turbulence, the seven-seater is much less subject to turbulence than any other aircraft, maintains Hijazi. "This is because the wings are very small and the wing-loading or the weight-per-wing-surface is very high, like a fighter jet. The more loaded the wing is, the less it is subject to turbulence, so the aircraft is very stable."

Maintenance of the Avanti is done by Abu Dhabi Aircraft Technologies (ADAT) in Abu Dhabi. With a 31.5 per cent share in Piaggio Aero Industries, Abu Dhabi-based Mubadala has indicated its intention of using Piaggio's expertise in building a new business aircraft in the emirates, in the second half of the next decade, signalling a greater presence of the Italian manufacturer in the region. In the meantime, Hijazi is committed to educating the market about the benefits of business aviation for business travel. "People in the region have this perception that business aviation travel is a luxury and not an efficient business tool," he says. "It's deep in people's minds that a business aircraft is a rich man's toy and we have to break this perception."





IN CONVERSATION WITH KARIM HIJAZI

How did you come to be in the aviation industry?

As a pilot in the French military for 12 years, my detail was flying VIPs on short-range trips by helicopter and business aircraft throughout the continent. I joined my family in Dubai three years ago and decided to continue my civilian career in the aviation industry.

What was the reason behind starting Air Synapsis?

I launched Air Synapsis to set up regional shuttles, using a Piaggio P180 Avanti II twin-engine turboprop business aircraft. When financing fell through for its acquisition during the economic downturn, I continued the relationship with Piaggio by becoming its Authorised Sales Representative within the GCC countries, Jordan and Lebanon.

Give us an assessment of the aviation market in the Middle East.

There's no doubt that the skies over the Middle East are crowded, but looking at it carefully, we see that some 51 per cent of the region's airline traffic and 60 per cent of its business aviation traffic is concentra-

ted within the Gulf Co-operation Council (GCC) states. That translates to 11 main destinations in six countries within a 450nm radius, just below 1,000kms, representing 112 potential one-way connections; an ideal market for the Avanti. In addition, the connections between destinations are not as business-user friendly as one would like.

Explain why the Avanti is so ideal for this region.

It's a small aircraft but with a large cabin. Jet aircraft may be faster, but jet engines are only efficient at cruising levels and, on a short-range trip, ascending and descending aren't balanced by enough cruising time. Turboprops are precisely designed for short-range flights because they will significantly reduce the fuel burn without compromising the total trip time. The Avanti is also suitable for the region's high summer temperatures, due to its capacity to keep its power up to 52 Celsius while most jet engines start losing power at 25 Celsius, so there are no increased maintenance costs, performance losses, nor increased fuel burn. ■