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Huge wealth and a lack of aviation resources offer rich rewards in Asia

Napoleon once said: "Let China sleep, for when the dragon awakes she will shake the world." Given the latest economic data, his comment would seem to anticipate the rapid and seismic growth of not just China but much of Asia as well, says Hong Kong-headquartered Asia Jet senior sales manager Jeffrey Chiang.

Catering to the UHNW population, Asian and global businesses and medical service providers, Asia Jet has seen significant growth in charter demand in Asia. Much of this is thanks to the lightning rate at which the rich in Asia are amassing their wealth, and to the many clients who are beginning to see business aviation as an efficiency tool in the same way as in the more mature markets of Europe and the USA. The region tends to be dominated by heavy or ultra-long range jets in north Asia and mid or super-mid jets in southeast Asia says Chiang and, generally speaking, clients in the region still prefer the space and grandeur of a bigger jet.

Typical destinations for Asia Jet clients include regional holiday hotspots such as the Maldives, Thailand, Indonesia and Japan, while business users will fly between financial centres including Beijing, Shanghai, Hong Kong, Singapore and Tokyo. In recent years, as the economies in Southeast Asia have advanced, the company has also seen an increase in business travel to Malaysia, the Philippines and Indonesia.

The global economy is tilting towards the East; four of the Fortune Global Top 10 companies are Asian. And the Huron Report, which tracks the changes in China's entrepreneurial community, says that China has 568 dollar billionaires compared with 535 in the US, while Beijing has the most by city. But this is just one side of the potential source of new charter customers. As the influence of Asia grows, so businesses in the rest of the world are showing an interest.

CEO and founder of flight support provider Aviation Services Management Vito Gomes sees the focus of international business-makers shifting to Asia where, according to an IATA report, four of the top ten scheduled passenger markets are China, Japan, India and Indonesia. IATA also predicts that China will overtake the USA as the biggest passenger traffic market by 2035, while India is expected to go from seventh place to third and Indonesia from tenth to fifth.

Gomes attributes the shift in economic interests to the East firstly to a cross-region commitment to reforms from larger Asian countries such as Malaysia, Japan, India and Singapore. Consolidating regional developments will create a strong economic union with improved long-term prospects, unlike in the Middle East which, he says, is challenged by political and economic instabilities. He adds that Asia has enjoyed huge population growth and has seen an increase in consumer demand as a consequence. This has attracted international corporations that have boosted the economy with foreign direct investment and improved employment opportunities, which in turn has expanded the number and influence of the middle and upper classes. "This is the starting point from which business aviation growth will come," he says. J

etex Flight Support also finds that aircraft sharing platforms and businesses have enabled operators to make their aircraft more accessible to a larger Asian clientele. Head of lifestyle Gabriel Meza says the company is seeing consistent demand from increasingly discerning and tech-savvy charter clients. Key charter airports and markets include Shanghai, Beijing, Hong Kong, Macau, Bangkok, Singapore and Kuala Lumpur. Europe is a popular destination and Africa is also in demand due to the lack of premium airlines servicing routes between this continent and Asia.

The client profile

Hong Kong-headquartered L'Voyage is the first Wyvern approved broker in Asia and it has developed its own internal bespoke customer relationship and mobile technology systems. Founder and chair Diana Chou has been in the general aviation industry in Asia for the past 19 years. Initially charter requests came from business tycoons in the region who would fly to meet their clients in the US or Europe, but today they are also for medical tourism, family reunions, shopping the world's fashion capitals, visiting prospective schools or viewing properties to invest in. Families also charter flights to see relatives in different provinces or other countries for the Chinese New Year celebrations, many taking their furry four-legged family members along as well.

L'Voyage has started offering medical tourism flights to Thailand or Japan for sophisticated body testing, some based on gene mapping technology, as well as lightening facials. It also arranges highly bespoke tours, the most popular being pet travel packages in Japan.

Asian Sky Group business operations manager Carmen Chan says clients are now looking for more bespoke travel: "We see many requests for tailored travel trips, not only for a chartered aircraft but for hotel packages and different outings, maybe shopping and adventure." Her clients are traveling all over the world and the demand for long-range aircraft is up, especially for flights to North America, Europe, Australia and New Zealand.

Chou is now catering to a younger generation of very wealthy self-made clients, particularly in China, where fast-paced economic growth has created international successes. While domestic flights still make up about 95 per cent of total business travel spend in China, it is typical for L'Voyage to receive requests from Chinese investors and young entrepreneurs who wish to fly overseas for investment site visits or to meet business partners in multiple cities in one day.

Where customers are based is also slowly evolving. China's population of ultra-rich individuals has been growing in interior cities like Dalian, Chengdu and Chongqing at a faster rate than in traditional hubs like Beijing, Shanghai and Shenzhen. Enquiries from overseas operators to assist with client trips in Asia have also risen sharply. In 2017 the number of requests L'Voyage received from European and American operators increased by over 40 per cent.



Founder and chair of L'Voyage Diana Chou is the first woman to sell private jets in Asia through her business Sino Private Aviation, and she pioneered the sales of helicopters in China through her company Aerochine Aviation. In our feature on pages 16-20 she talks about the growth of business aviation in Asia.

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Aircraft charter versus ownership

There is a preference in Asia for charter over ownership since registration issues can make owning an aircraft problematic, as can the lack of established maintenance facilities. Flying the aircraft to Europe or the USA for general maintenance can be an expensive procedure. UK-based brokerage 365 Aviation has been actively involved in the Asian aviation market for seven years, primarily within India and Kazakhstan but has also chartered flights to the USA, Europe and occasionally further afield to South America, for example. The hot spots are Japan, Singapore, Australia and holiday destinations such as Indonesia. The company also services Western clients looking to explore untouched parts of Asia, which usually involves a group flying into a major international hub on a commercial airline and then transferring to a private jet for their onward travel. Cessnas and Hawkers are popular as they have good performance and comfort but are economical.

It also flies clients directly from Europe and the USA in to Asia, usually non-stop on a Global 6000 or a Gulfstream G650. Chairman Colin Baker says: "Our record is from Philadelphia direct to Delhi, non-stop in 15 hours." But the biggest potential market is China, and Baker is waiting to see a greater fluidity of Chinese clients coming in. He says the business jet fleet there grew quickly before President Xi Jinping took power in 2012, but since then sales have dropped sharply due to stricter capital controls, economic uncertainty and the crackdown on corruption. This has proved to be good news for chartering with many charter companies, 365 Aviation included, seeing a surge in demand. However Baker notes that China remains a largely internal market with people dealing within long standing and established personal and corporate networks, so a degree of patience is required to truly penetrate this territory.

Experience on the ground

For Chou, it is not only important to be familiar with the various airspace restrictions across Asia but also with the political climate and local peak holiday seasons that might affect flight plans. Her team maintains good relations with the many domestic operators that specialise in local airport operations so is always able to provide alternative solutions where necessary. Because of the fast pace of growth in the air charter industry there have been varying levels of service quality across Asia; there are private jet operators representing individual owners who are not trained up to international standards, but this is slowly changing.

Even though demand is growing at a healthy rate, the infrastructure in the region is still severely lacking. Slots in Hong Kong are a major headache, while the same can be said for trying to secure overnight parking in Beijing, says Asia Jet's Chiang. Even overfly or landing permits for certain countries can take significantly longer to secure than in Europe or the US. "China's focus on bolstering its civil aviation industry under its 13th Five-Year Plan is a welcome change but more needs to be done in other parts of Asia to alleviate the infrastructure bottleneck in order for business aviation to flourish and realise its potential," he says. "We also see associations such as AsBAA helping to improve the overall operational landscape, which promises for a brighter future for all industry players and clients that rely on business aviation."

Florida brokerage Monarch Air Group, which has a long-term government contract in Asia for the provision of firefighting helicopters, notes the shortage of aircraft available for charter and president David Gitman observes that those that are available often do not adhere to any established third-party audit standard such as ARGUS or Wyvern, which means it must complete its own audit before the charter can take place. He says: "Thanks to our long-term contract we have a physical presence that allows us to do that, yet we still have difficulties sometimes." He refers specifically to a charter request from a European client who was on vacation and had requested a flight from Phu Quoc airport in Vietnam to Siem Reap International airport in Cambodia. "What should have been a 40-minute hop turned into four hours of flight because of all the positioning legs that became necessary."

Jetex's Meza notes that, despite the market being fairly competitive, the lack of general aviation infrastructure in turn leads to fewer quality FBOs, more complex operations and higher operating costs for aircraft based in Asia. These are all factors that affect the number of aircraft based in the region he says. Most airports have tight regulations resulting in rigid permit approval processes, limited slots and poorer service for business aviation clients.

However, Chan notes that with the increase in charter requests in Asia there has been growth in the number of small charter companies being set up. Additionally, aircraft owners in Asia are now more open to chartering out their own aircraft, which optimises their own operating costs as well as increasing capacity.

Red tape and other regional differences

California-headquartered Le Bas International has grown its presence in Asia since it began operations in Hong Kong several years ago. Nowadays the company tends to take sports teams and wealthy people in and out, but it's not all plain sailing. Diplomatic landing clearances create a lot of red tape says COO Tracey Deakin: "It's not like in the US or Europe where you can just get up and go. It can take 10 days to get a permit to get an aircraft into Asia, and that is what's holding the market back."

Le Bas tends to send one of its own team to accompany large flights so as to manage not only any cultural differences but also the different procedures regarding entry and departure approval: stamps, passports and sometimes letters from whoever a client is going to visit. Le Bas has agents on the ground there and works with vendors who have the 'wherewithal and experience to get the job done'. But the region is highly populated and trains have long offered a sophisticated transport option. The wealthiest are using air charter but Deakin feels the region has huge potential and falls behind the rest of the world in terms of business volume. Executive jet users are primarily global travellers; inter-regional travel seems wedded to the train.

Sometimes, especially in Hong Kong and mainland China, restrictions prevent passengers' departure and arrival time requirements being met adds Chan. And in mainland China there are restrictions on foreign-registered aircraft parking for a given number of days, so if a stop-over exceeds this the aircraft is required to leave the airport and return to pick-up passengers. Several countries have cabotage restrictions that prevent foreign-registered aircraft travelling domestically within a country, so in these cases passengers have to switch to a locally-registered aircraft for the remainder of their journey.

In the US or Europe an end user can hire a broker to make comparisons on different charter operators; not so in Asia says Chan. Currently, Asia-based passengers are searching for and sourcing their own charter operators. They often look for the lowest price and will try out several different operators. In Europe and the US, clients more often deal with one broker for all their needs.

"The market in Asia is more saturated and we see diversified brokerage businesses in the region," adds Meza. "These businesses wear many hats and integrate services including, but not limited to, aircraft sales and maintenance into their portfolio."

According to Baker a distinguishing feature of the Chinese market is that price is generally the first element of a quote that clients look at, even before aircraft type. "You could generalise and divide clients' priorities globally by characterising the North American market as being focused on safety and security, Europe as prioritising the quality of the aircraft and service, and Asia as being price-driven," he says. "Perhaps this is because they don't have as much experience as their western counterparts so don't differentiate the quality of aircraft and service so much, but that will no doubt change, especially as the next generation of internationally educated children comes to the fore."

365 Aviation CEO Chris Tofts adds that whereas jet ownership used to be seen as a status symbol, businesses are now focused more on the practicalities of flying privately, with the increased productivity and efficiency it offers. He says: "The money is there, as is a desire for luxury, but as with all new markets, educating clients on the benefit of chartering over ownership is the starting point." He is witnessing growing demand in Thailand, Malaysia, Singapore and Indonesia, with Gulfstream, Bombardier and Falcons the most demanded aircraft, and as Asian businesses grow both in the region and internationally he expects to see demand rise further. But the region needs more FBOs and the airspace restrictions in China must be addressed. He adds that the overhaul of Singapore's Seletar

airport and its new \$50 million passenger terminal due for completion by end 2018 will be welcomed by private passengers and charter businesses alike.

He has seen some firsts in the Asian market: a Boeing 787 Dreamliner in full VIP configuration along with a state bedroom was delivered earlier this year as well as a 777-200 in an all-business class configuration. Both offer far greater range in the wide bodied segment than their predecessor the 767, and smaller brother the 757. He feels that these are game changing for UHNWIs.

Monarch Air Group's Gitman says that when Asian charter clients come to the US they, like clients from Europe and particularly the CIS countries, demand brand new aircraft and gourmet catering. This is standard in Asia, however not just on heavy and long range jets but on mid-size and light jets as well.

Tourism is fuelling air charter growth in the Philippines and in the southeast Asia region. PhilJets MD Thierry Tea says: "The geographic features of the Philippines lend it to air charter services, and the same is true of Malaysia and Indonesia, which are composed of group of islands." Southeast Asia has a lot to offer to tourists and travellers but being an archipelago, the Philippines is more difficult to traverse than many of its neighbouring countries. Inter-country travel requires island transfer via boats, ferries and domestic flights, so air charter is becoming a practical option in terms of saving time and convenience.

The Philippines' National Tourism Development Plan forecasts 7.4 million international visits during 2018 as tourists seek out undiscovered islands, and PhilJets expects to gain more air transfers and aerial tours from these visitors. Top destinations include Siargao Island, Surigao, Taal, the Banuae Rice Terraces, Hundred Islands National Park and Batanes. And in Thailand transfers are needed to reach the islands of Koh Samui and Koh Phangan.

Air charter can be beneficial for transport in less-developed countries says Tea: "Where road congestion is bad, businesses cannot afford to miss opportunities that can be more costly than a chartered flight." Similarly, southeast Asia is home to large festivals and conventions that draw huge crowds, and air charter is becoming one of the most convenient ways to avoid road closures or flight delays.

The future is opening skies and changing regulations

Improvements to airport infrastructure and more FBOs will likely help facilitate brokerage and indeed all facets of the charter industry in the region. There is a myriad of different regulations within the region rather than just one standard, and charges related to business aviation appear to be some of the highest in the world.

Asia Sky Group's Chan notes that while the region, and China in particular, is developing more airports, not all will cater to business aviation, which still leaves it with the issues of limited slot availability and restrictions on parking. Local aviation authorities are working to change this she says, along with groups like AsBAA. Jetex believes the impact of China's Belt and Road initiative may potentially impact cargo charters, though much less on business flights.

L'Voyage's Chou predicts that air charter broker demand in the Asia Pacific region will continue to rise. Many Asian countries have among the highest number of billionaires globally, yet they offer the lowest number of charter jets per billionaire. For example, greater China's 609 billionaires have a total of just 70 charter private jets to choose from, compared to the 552 billionaires in the United States who can choose from over 2,600 private aircraft. She expects the Belt and Road initiative to boost private jet charters as the region's entrepreneurs forge new global business links. Investment site visits from China will pivot from traditional hubs in Asia towards Belt and Road countries. Today, her primary client base is in Hong Kong, Macau and China, which combined form the biggest charter market in Asia.

It is also worth noting that Asia, as the world's biggest continent, has an overall population of 4.4 billion people but just 1,155 business jets, according to Asian Sky Group research. In contrast, the US has more than 13,000 aircraft for 336 million inhabitants. But things will change. For example, China has earmarked business aviation as a major development area in its 13th Five-Year Plan (2016-2020) and plans to build 260 new airports. There are certainly opportunities within Asia that European or US charter companies can help fill, and Asia's business aviation ambitions and changing regulations certainly require close watch.

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