

The case for developing a policy and regulatory framework for business aviation

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What is business aviation?

Nigeria's aviation sector is essentially divided into two sub-sectors: military and civil aviation. 'Military' aviation refers to the operation of airplanes, jets and other aerial vehicles for the protection of and services to the state, whereas 'civil' aviation refers to all non-military aviation and encompasses private and commercial flight operations. 'Business' aviation is an aspect of civil aviation that pertains to the commercial operation of airplanes and helicopters.

According to the European Business Aviation Association, business aviation is an air transport option tailored to the specific needs of company executives. It provides efficient, productive and secure business travel to accommodate schedules and reach destinations that are incompatible with the limitations of commercial airline itineraries. Further, according to the US National Business Aviation Association:

"[the] business aviation community consists of companies of all sizes that rely on many different types of aircraft, from single-pilot airplanes to turbine aircraft that fly internationally, to helicopters that survey rush-hour traffic and the fixed-base operations and many other services that support flight operations at the nation's 5,000 public-use airports."

In Nigeria, business aviation is a specialised form of aviation. It caters for business travel, charter services and private jet ownership and differs from scheduled flight operations by commercial airlines. A number of business executives, top government officials and religious organisations own private jets or retain the services of jet and helicopter charter companies to avoid the limitations of commercial flight schedules.

Opportunities

Nigeria has the largest economy in Africa, with a gross domestic product (GDP) of \$415.08 billion according to the International Monetary Fund's world economic outlook for October 2016. Notwithstanding the contraction in the economy over the past two years, Nigeria remains a major African hub for business and commercial activities. However, it continues to face the challenge of infrastructural inadequacy which pervades all sectors, including transportation. The absence of good road networks, railway services and reliable scheduled flights has forced a number of foreign investors and business owners to consider charter services as the most reliable means of transportation for business meetings and other related activities. The exploration of business opportunities in emerging economies in neighbouring African countries has similarly created a demand for quick access to reliable flight options, which is best met by charter jets.

These infrastructure challenges, when considered alongside some people's security concerns



regarding road travel, have predisposed many of Nigeria's elites to business aviation. It is therefore unsurprising that Nigeria has the highest rate of private jet acquisition in Africa. While there were an estimated 150 private jet acquisitions (worth approximately \$3.75 billion) in Nigeria in 2013, business aviation has grown so much that in 2016 private jet acquisition was estimated to be worth \$6.5 billion, according to *Ventures Africa*. In July 2017 the Federal Inland Revenue Service stated that there were over 200 private jets owners evading their tax obligations.

As the Nigerian economy continues to grow and diversify, opportunities for business aviation are expected to increase. For instance, more cargo planes may be needed to transport agriculture produce from harvest centres to market points within the desired timeframe, while more investors exploring opportunities in the technology, mining, medical evacuation and other evolving sectors will likely consider charter services as a reliable means of transportation.

Ensuring adequate regulation

The growth of the business aviation industry signals the need for an effective regulatory framework to sustain this growth and address challenges that are impeding it. Noticeable challenges in the industry concern, among other things:

- funding;
- inadequate infrastructure certification;
- access to maintenance services and suitably qualified personnel;
- the rising costs of aviation fuel;
- taxation;
- the effects of the foreign exchange crisis;
- safety regulations;
- labour issues; and
- security.

Addressing the various challenges requires a more focused approach to policy making for the industry. Nigeria needs a comprehensive general aviation policy that defines the scope of oversight functions of regulatory agencies and sets out guidelines for private sector participation in order to stimulate investment in building airstrips and increasing local capacity for the maintenance, repair and overhaul of aircraft. Fluctuations in foreign exchange rates and the attendant effect on maintenance costs must also be examined in order to identify possible means of intervention by the government through the Central Bank of Nigeria and other relevant stakeholders. Similarly, there is a need for a robust policy position on licensing and the identification of jets and helicopters used for business aviation, with a view to generate revenue and guarantee security and conformity with global standards without unduly stifling the operations of stakeholders through unnecessary bottlenecks.

A simplified and transparent approach is recommended to engender increased participation in the sector.

In 2013 the federal government issued the Nigerian Civil Aviation Policy (NCAP), in which it expressed its intentions for the aviation sector, which includes business aviation. Former Minister of Aviation Stella Oduah, under whose supervision the policy was issued, said that the policy would stimulate the sector's growth and increase its contribution to national GDP. However, the restrictive nature of Part 7.2 of the NCAP (Non-scheduled Flight Operations) – especially as it relates to the use of charter jets – has attracted widespread criticism and raised concerns about the government's ability to stimulate the industry's growth.

Notwithstanding its inadequacies, the NCAP contains some laudable provisions on aviation safety, training, financing through public-private partnerships and the operation of foreign-registered aircraft in Nigeria. Such provisions should be examined, enhanced and encapsulated in a regulatory instrument, as their implementation could help to address infrastructure challenges facing business aviation. While there were plans to review the policy, its implementation remains in doubt following the exit of the then minister under controversial circumstances and the subsequent change in government in May 2015.

In 2015 the Nigerian Civil Aviation Authority (NCAA) amended the Nigerian Civil Aviation Regulations. Some critics believe that the regulation contains ineffective provisions to guide the operations of business aircraft operators; however, the recognition of the operations of business aircraft under the non-scheduled operations or chartered services category is a step in the right direction.

Comment

The Nigerian business aviation industry has the potential to expand significantly as the economy grows and diversifies, but some issues must be addressed in order to maximise results. Incumbent Aviation Minister Hadi Sirika promised a review of the NCAP shortly after his appointment, but little progress has been made in that regard. Further, the implementation of the policy remains in doubt. Nonetheless, the business aviation industry needs an effective policy that will harness its potential and attract more foreign investment, as well as address safety and national security concerns. South Africa, which is regarded as having the leading business aviation market in Africa, has continued to introduce relevant regulations to guide the sector. Although its latest regulation has been the subject of criticism, it shows the country's conscious effort to address the industry challenges. The NCAA and the aviation ministry similarly need to improve their efforts at repositioning the sector and pay more attention to the business aviation industry.

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