

Aviation sanctions hit Russia after Ukraine invasion

“We are joining with our European allies to find and seize ... your private jets. We are coming for your ill-begotten gains.” The words of US President Joe Biden in the State of the Union address pulled no punches and were reiterated by European Commission President Ursula von der Leyen, who said: “So let me be very clear. Our airspace will be closed to every Russian plane – and that includes the private jets of oligarchs.”

The Russian invasion of Ukraine, which began on 24 February, marked a major escalation of military hostilities between the two countries, which date back to Russia's illegal annexation of the Crimean Peninsula in 2014. As a result, a host of countries, including the US, Switzerland and members of NATO and the EU have implemented a raft of substantial comprehensive and targeted economic sanctions. These measures are having a growing and deepening effect on the wider Russian economy and on Russian commercial and business aviation. They have surprised many commentators in terms both of their co-ordination and rapid implementation and are likely to cause a huge contraction in business aviation in Russia.

The vast bulk of European and North American airspace is now closed to all Russian and Belarusian aircraft, except for diplomatic or emergency flights in exceptional circumstances. In the case of the UK, it is now illegal for any Russian aircraft to enter UK airspace. This includes Russian-registered aircraft, those believed to be operating for Russian owners or aircraft chartered by Russians. The impact has been immediate. A Luxembourg-registered Global 6500, was impounded while officials examined its links to billionaire Russian oil tycoon Eugene Shvidler. The challenge for authorities looking at aircraft controlled by Russian clients lies in establishing the ultimate beneficial ownership of assets held in special purpose vehicles (SPVs), with aircraft registered in different jurisdictions and operated under equally disparate AOCs.

The number of bizjets registered in Russia is comparatively small, but up to 500 business jets are estimated to have ‘significant Russian connections.’ There has also been a buoyant charter market, whose collapse will have a substantial impact on operators in Europe and beyond. As evidence of the power of social media in this crisis, a Twitter feed @RUOligarchJets has been launched to monitor the movements of 49 aircraft that are believed to be operated by, or on behalf of, prominent Russians. The list of high profile Russians covered by targeted sanctions continues to grow. While these words are being written, the UK has announced that a further seven individuals, including Roman Abramovich and Oleg Deripaska, are now subject to comprehensive sanctions including the freezing of assets and travel bans. Abramovich recently took delivery of a BBJ 788 to replace his ageing 767-300. As further evidence of targeted actions, the Isle of Man Aircraft Registry has de-registered the Airbus A340-300 (M-IABU) and two EC175 helicopters owned by sanctioned Russian billionaire Alisher Usmanov.

As part of the raft of economic sanctions, providers of aviation finance and aircraft lessors are obliged to cease transactions by 28 March. This includes the provision of aviation insurance cover. As a result, there is now a desperate clamour to recover aircraft currently leased to Russian airlines and operators. In addition, leading OEMs have announced the cessation of activities in Russia, deliveries to Russian clients, technical assistance and support for any aircraft in service in Russia.

OEMs report falling Q4 deliveries

Like Gulfstream, which we covered last month, each of the major OEMs has reported deliveries that continue to be impacted by the Covid pandemic.

Bombardier – Delivered 38 bizjets in Q4, down from 44 in Q4 2020, with large cabin deliveries falling from 28 to 18 units. Despite these falls, overall annual revenues increased by 7% with earnings up by 220%. The Canadian manufacturer noted that Covid production restrictions had overly inflated Q4 figures in 2021. It also made clear that 2022 delivery positions were all sold.

Embraer – Brazil's Embraer also reported that Q4 deliveries fell compared to the same period last year. A total of 39 bizjets were delivered in the three months – 26 light jets and 13 mid-size jets – compared to 43 deliveries in Q4 2021. However, the annual total of deliveries rose to 93 in 2021, against 86 in 2020.

Textron Aviation – The manufacturer of the Cessna and Beechcraft families reported that its bizjet deliveries fell in Q4, with 46 Citations delivered compared to 61 in Q4 2020, while 43 bizprops (King Air and Caravan) were delivered, down from 61 a year earlier. However, the US manufacturer confirmed that it is increasing production and reported that Q4 profits were up USD29 million YOY.

Dassault Aviation – The French manufacturer delivered 30 Falcon bizjets in 2021, down from 34 in 2020, but exceeding its own annual prediction by five units. The company expects to deliver 35 Falcons in 2022.

AVIATION SERVICES HUB: Corporate ownership

Leveraging the Sovereign Group's wealth of experience in the provision of corporate services, RANA offers ownership solutions that are tailored specifically to aviation assets. We can recommend appropriate jurisdictions and corporate structures to provide asset protection, including tax and succession planning, as well as advising on the requirements and restrictions of particular registries.

The carefully planned use of a company structure – or special purpose vehicle (SPV) – can provide a number of distinct advantages to the owner of private aircraft or other types of aviation asset. Access to corporate limited liability and enhanced levels of confidentiality are the most obvious, but a company structure can also provide significant potential benefits in respect of estate planning, as well as simplifying any future sale of the asset, resulting in savings of time and cost. Sovereign will establish structures in jurisdictions worldwide that are best suited to the owner's place of residence or domicile and the aircraft's registration and intended usage.

North American bizav traffic and hours soar

"We ended 2020 saying that it was a year unlike anything we had seen before and now we wrap up 2021 with the same thought, but in a dramatically different way," concluded aviation consultant Argus International in its Business Aviation Review of 2021. And the figures are striking. The total number of bizav flights in North America in 2021 was 40.7% higher than 2020, while the number of flight hours was up by 42.3%. The second half of 2021 in particular saw a marked surge in traffic as pandemic travel restrictions began to ease both domestically and internationally.

Pre-owned bizjet prices surge

For the past year industry commentators have been highlighting the historically low level of pre-owned aircraft for sale. Some estimates put the percentage available as low as just 1.3% of the total bizjet fleet. Latest analysis by Jefferies has confirmed those assumptions, headlining a consistent rise in asking prices of some 11% YOY. The products of particular OEMs are seeing significantly larger rises; Gulfstream prices are up by 41% due largely to demand for scarce G450 and G150 models, along with significant hikes in G550 and G650 large cabin aircraft.

Vista Global to acquire Air Hamburg

Vista Global Holdings, the Dubai-based parent of VistaJet and XOJet, has agreed to purchase Europe's largest charter operator, Air Hamburg. The acquisition is subject to regulatory approval and is expected to conclude by the end of Q2 this year. The combined fleet operated by Vista Global carriers will total more than 240 aircraft. Air Hamburg's diverse fleet includes Embraer Phenom 300/300E, Legacy 500/600/650/650E, Praetor 600 and Lineage 1000, Cessna Citationjet CJ3, Citation XLS and Dassault Falcon 7X. It is predicted that this purchase will give Vista Global 15% of the worldwide charter market and increase flight hours by some 30%.

Bizav's shifting Asian focus

The paucity of bizjets on static display at the recent Singapore Air Show was deceptive. The fact that only single examples of the HondaJet, Dassault Falcon 2000LX and 8X were present does not reflect a notable shift in bizav from mainland China to the wider Southeast Asia region. What has been variously described as a 'malaise', 'a bad patch' or 'stagnation' in the Chinese market has seen 15% of aircraft leave due to political and economic pressure and draconian Covid travel restrictions. The focus of the market is notably shifting to Malaysia, Thailand and Singapore, which have seen significant infrastructure investment in the sector.

Corporate aircraft news

Textron Aviation marked a significant landmark on 15 February as it delivered the 8,000th Cessna Citation. The aircraft in question, a Citation Longitude, was handed over to US customer Scotts Miracle-Gro. The first example of the Citation family, a series 500, was delivered in 1972 and this has been followed by more than 30 further models. Currently, six Citation models remain in production – the Longitude, the Latitude, XLS Gen2, CJ4 Gen2, CJ3+ and M2 Gen2. Textron president and CEO Ron Draper said: "A milestone like this wouldn't be possible without all the owners and operators who love to fly our aircraft. With more than 41 million flight hours across the globe, our customers continue to make Citation jets their aircraft of choice."

For the tenth year in a row, the Embraer Phenom 300 has achieved the milestone of being the world's best-selling light jet. The Brazilian manufacturer handed over 56 examples in 2021 according to data released by the General Aviation Manufacturers Association (GAMA). This total also makes the Phenom 300 the world's most delivered twinjet last year. The first Phenom 300 entered service in December 2009 and a total of 640 examples have since been delivered worldwide.

Fractional specialist NetJets Aviation has signed a Memorandum of Understanding with Munich-based aviation start-up Lilium to add 150 Lilium eVTOL aircraft to its fleet. It is expected that the electrically powered aircraft will receive certification and enter service in 2024. The five-seat aircraft will have a range of 250km and a top speed of 280kmh.



AIRCRAFT FACT FILE \\\

Diamond DA42 Twin Star



CATEGORY

Light twin piston

MANUFACTURER

Diamond Aircraft Industries, Austria

ENGINE

2 x Austro Engine E4 piston

LENGTH

8.56 m

WINGSPAN

13.55 m

RANGE

2,250 km

MAX. SPEED

365 kmh

SEATING CAPACITY

4

NO. OF CREW

1

MAXIMUM TAKE-OFF WEIGHT (MTOW)

1,999 kg

DESCRIPTION

Diamond Aircraft Industries was founded as Hoffman Flugzeugbau in 1981 and is currently the world's third largest manufacturer of general aviation aircraft. It adopted its current name in 1998 and from 2017 was acquired by Chinese entity Wanfeng Aviation. It maintains manufacturing facilities in Austria and Canada.

The Diamond DA42 Twin Star was the company's first multi-engine aircraft. It is fully constructed from composite materials and has proved extremely popular as a general aviation aircraft and has also found favour as a pilot training vehicle. The Twin Star received EASA certification in April 2004 and from the US FAA in July 2005. A Twin Star secured its place in history as the first diesel-powered fixed-wing aircraft to cross the North Atlantic non-stop – making the journey in 12.5 hours. On entering service, Flight International noted that "The DA42 has no natural competitors in its class and sets a benchmark for European general aviation."