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Malaysia Challenges Singapore as Aviation Hub

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SINGAPORE — Singapore's status as an international hub for aviation has long been established. Changi Airport saw record passenger volume last year, with more than 42 million people passing through, making it one of the busiest airports in Asia.

Singapore also offers one of Asia's largest aircraft maintenance, repair and overhaul facilities. More than 100 aviation, aerospace manufacturing and airplane servicing companies operate in the city-state, including multinational behemoths like General Electric Aviation Services, Honeywell, Rolls-Royce and Pratt & Whitney. In 2009, its aerospace industry achieved an output of 7 billion Singapore dollars, or \$5.66 billion, according to government figures.

For the past three years, the city-state has been working to redevelop its smaller international airport, Seletar, by adding a dedicated 140-hectare, or 350-acre, aerospace park that will eventually be host to maintenance and repair operators, specialist manufacturers, an aviation training center and a range of business aviation activities.

But now a rival is trying to get a slice of the aerospace pie.

Across the Strait of Johor, the Senai Aviation Park in Malaysia is slowly taking shape next to the Senai International Airport, with operators trying to position it as a regional aviation park for aircraft manufacturers, fixed base operators, maintenance and repair firms and other companies supporting general aviation. Last year, two Seletar-based companies decided to relocate to the Johor aviation park: C&A Aviation, which supplies and maintains aircraft engines, and Executive Jets Asia, which operates private jets. The second phase, which will double the park's size to 142 hectares, is now being developed and should be completed by the fourth quarter of this year, said Mohd Sidik Shaik Osman, chief executive officer of Senai Airport.

Executive Jets Asia is investing 40 million ringgit, or \$13.26 million, to build a 6,500-square-meter, or about 70,000-square-foot, aircraft hangar, which will have space for at least two Airbus 320 or Boeing 737 aircraft and several executive jets, plus 1,900 square meters of office and storage space. The chief executive of Executive Jets Asia, Prithpal Singh, said the project would be completed by the end of the year.

Mr. Singh said significantly lower rental, construction and operating costs, as well as ample room for expansion and direct runway access, were the main reasons his company had decided

to switch facilities. “Over all, cost savings are at least half,” he said.

“There is the added bonus of a lot more upside for expansion and better longer-term aviation prospects in Malaysia for us,” he added, noting that Singapore is “saturated, space constrained and has ever-escalating land and utility and construction costs.”

As an added incentive, the Malaysian government offered a five-year tax holiday to Executive Jets to relocate at Senai, he said.

Mr. Singh said his new facility in Senai would offer maintenance, repair and overhaul — known as MRO in the industry — service for business jets. “We will be able to compete very well against the MROs in Singapore, which have huge costs and space constraints,” he said, pointing out that Senai offered the additional advantage of being an all-weather airport. At this stage planes flying to Seletar have to be diverted to Changi Airport in bad weather.

The Senai Aviation Park is envisaged as a complement to the large 160-hectare aviation park being developed in Subang, 25 kilometers, or 15 miles, outside Malaysia’s capital, Kuala Lumpur. Thirty-five companies are already operating there, including 15 MRO service providers like G.E. Engine Services, Eurocopter Malaysia and Honeywell Aerospace Services.

Mr. Sidik said the Senai and Seletar aviation parks shared similar business models and he believed Senai, with its close proximity to Singapore and easy accessibility, could leverage many of the same opportunities available to operators at Seletar.

But he said Senai would also have its own niche market and would not be competing with Seletar.

“Being located in close proximity to Singapore and easily accessible by road, Senai Aviation Park is looking at spillover business that can complement the aviation industry in Singapore,” he said.

In the end, some in the industry believe Seletar will continue to attract big global players and business jet operators, while Senai could be an attractive alternative for secondary or support services.

Despite the new entrant flexing its muscles, Seletar Aviation Park continues to attract heavyweights. In December, Rolls-Royce completed a new facility to make high-tech titanium jet engine fan blades and this month, it is set to complete a separate facility to test and assemble large civil aircraft engines. The company is investing more than £300 million or \$495 million, into its new Seletar campus which also includes a regional training and research center.

“We’re looking to develop a whole engine aircraft cluster in Seletar, with Rolls-Royce acting like a queen bee for manufacturing. We see the potential to bringing more suppliers to be located in the park,” said Manohar Khiatani, the chief executive of JTC.

Lim Kok Kiang, the director of transport engineering at the Singapore Economic Development

Board, said the redevelopment of Seletar Aerospace Park had seen steady progress, and continued to attract strong interest.

“So far, 75 percent of Phases 1 and 2 have already been taken up or reserved by companies. Both phases account for approximately 80 hectares of industrial land,” Mr. Lim said. Phase 3 will be completed in 2018.

Eurocopter South East Asia recently opened an 8,200-square-meter facility at Seletar, doubling its hangar capacity and increasing its MRO capabilities; it can now accommodate 24 helicopters. Both Fokker Services Asia and MAJ Aviation have started construction on hangar facilities to enable them to expand MRO services. And in February, Hawker Pacific announced plans to develop a \$15 million customer service center in the park, confirming the expansion of its regional headquarters there.

John Riggir, senior vice president of Hawker Pacific Asia, said Seletar Aerospace Park was a compelling location for his company, which has been in Singapore since 1978, because “Singapore is right in the heart of our customer base.”

He also pointed out that the cost of construction there worked out to be practically the same as it would have been in Malaysia.