

# Malmi - Helsinki City International Airport



**Malmi operators  
development plan  
21.11.2015**

# Malmi Airport – Background

- Helsinki-Malmi Airport is located 10km from the center of Helsinki and is the only free-schedule international airport within 150 km of the Finnish capital. It is the second busiest airport in Finland by flight operations and is the leading pilot training center. Its whole area is listed as a built cultural environment of national significance, and it is one of the world's best preserved civil airports from the early days of commercial aviation.
- The future of airport and its business potential is seriously threatened by plans by the City of Helsinki to turn it into a residential area. This long standing ambition has seriously hampered commercial development of the airport, which has suffered from a 17 year construction ban, minimal maintenance of assets and a climate of uncertainty.
- In 2014, as part of political budget negotiations, the State decided to cut short their lease of the airport until 2034 and withdraw their operations from Malmi by 2016. However, State owned organisations only account for 18% of flight operations and will vacate prime airport areas for reuse by commercial companies, providing capacity for expansion in other revenue producing aeronautical markets such as business aviation.
- The departure of the State owned airport operator Finavia in 2016 offers a great opportunity for a new airport operator to develop a flexible and economic model for the airport that facilitates business growth and private investment into the airport and wider region.

# Malmi Airport – Current situation

- Malmi airport is currently home to 26 businesses, employing 300 people with a turnover of 30M€. It has 146 based aircraft and is regularly used by visiting commercial air transport and aerial work planes.
- In terms of aircraft movements, Malmi is the 2<sup>nd</sup> busiest in Finland and accounts for 44% of all general aviation movements. 90% of all Finnish pilots receive their basic training at Malmi and several hundred foreign pilots have also been trained there in the last few years.
- The main runway is sufficient in length and carrying capacity to cope with the majority of business aviation aircraft used for European flights. As an unscheduled airport, Malmi has a significant competitive advantage for attracting business aviation, who value flexibility and speed. To date this advantage has not been utilised because the airport lacks a precision approach for bad weather. Although installing a modern satellite-based system is a relatively small investment requiring no ground works, there has been no interest by the current operator Flnavia to do so.
- The main competitor is Helsinki-Vantaa, a European top 25 international airline passenger transfer hub located 17km from the center of Helsinki, with a strong position connecting Europe and Asia. The airport operator, Finavia, subsidises the rest of Finland's airport network with profits from Helsinki-Vantaa and the company strategy places serving airlines and transfer passengers as the main priority. The airport has a Business Aviation Terminal, but landing and departure slots need to be booked 3 hours in advance and the 6.5km taxi from the runway to the terminal slows overall journey times.

# Malmi Airport – Future vision

## MISSION

- Our mission is to bring new value to the local community, enhance business connectivity and growth in the wider region and preserve the cultural heritage of Malmi Airport as a free-scheduled general aviation airport.

## VISION

- Malmi International Airport is a financially self-sufficient, safe and environmentally responsible general aviation airport. It is the busiest business aviation destination in Finland, an attractive base for pilot training and innovative business development and a vibrant hub for the aviation and local community. Malmi will be in top 10 in Europe business aviation/city airports in the world in terms of flexibility, connectivity, service level and customer experience.

## GOALS

- Financial self-sufficiency by attracting business aviation, implementing light and flexible airport operations and attracting private sector investments into the airport.
- Continuously reduce environmental impacts by increasing renewable energy use at the airport, introducing aviation biofuels and encouraging public transport and smart mobility integration in airport landside access.
- Preserve the cultural heritage integrity of the airport by creating partnerships with heritage conservations organisations and encouraging diverse cultural usage of the site through public events, concerts and airshows etc.

# Malmi airport and business aviation

- Business aviation is a key revenue stream for the development of Malmi Airport. It accounts for 7,1% of all flights in Europe and flies a very different network to scheduled airline flights, connecting 96,000 city-pairs in Europe. 96% of flights are between cities with no daily scheduled connections and 25% of business aviation revenues are from multi-destination flights.
- With the installation of a satellite-based precision approach system, airport facilities at Malmi would be sufficient to allow regular business aviation traffic immediately. The main competitive advantages of Malmi are the ability to land without booking in advance, very short passenger transfer times from plane to landside transport (a car can collect passengers directly outside the aircraft on the airport apron) and proximity to metropolitan business districts.
- Excellent services are a characteristic of the business aviation industry, generating jobs in a wide network of suppliers such as caterers, taxi companies, aircraft maintenance, concierge services and others.
- Relatively small volumes of business aviation can generate a good stream of revenue without tying up the capacity of the airport. Most business aviation flights occur on weekdays between 10-17, with a significant fall in flight movements at weekends. This complements other airport use by flight schools and clubs, which fly mostly in the evenings and weekends.
- Business aviation has a proven impact on the wider economy, increasing exports and foreign direct investments. Attracting more business aviation to Helsinki is an important part of Malmi Airports mission to enhance business connectivity and growth in the wider Helsinki region.

# Business aviation market trends

- Business aviation accounts for 7,1% of all flights in Europe and is forecast to grow 3% pa. (Eurocontrol 2011). Based on 3% growth Helsinki has to be able to accommodate 17 daily business aviation movements (6120 annually).
- Modern turboprop and jet aircraft technology and modernisation of aviation regulations are substantially reducing flight costs already as we speak
- Changes in flight costs will make business aviation more accessible to small-medium sized companies, who will also benefit from the innovative business aviation models being introduced e.g. unlimited flights for a monthly fee and pop-up short-term scheduled routes.
- Recent investments and business launches:
  - US company Wheels Up receives 115 M\$ in funding for European expansion (Wheels Up has pioneered monthly fixed fee models in the US)
  - Riga business aviation fixed base operator invests 14M\$ in new facilities in 2015.
  - UK air taxi company Blink acquires general aviation airport in UK and new fleet operator in Italy as part of expansion.
  - Finnish company Go! Aviation starting scheduled and pop-up flights from Malmi Airport in 2016, using innovative monthly “all-you-can-fly” pricing and a modern fleet.

# Business aviation in Finland

- Finland has an average of 25,9 business aviation movements per day, of which 12,3 mvts/day are at Helsinki-Vantaa Airport.\*
- 47% of business aviation flights are domestic, representing 9.5% of total daily domestic passenger flights.\*
- 22% of all passenger flights connecting Finland and Russia are business aviation.\*
- Top Finnish business aviation country connections were to Sweden (17%), Russia (14%), Germany (4%), Great Britain, Estonia and Norway (3%), Denmark, France and Switzerland (2%).\*
- Viewed from Europe, Finland is an island, with little potential for future high speed rail connections to Central Europe (the proposed Helsinki-Tallinn rail link tunnel is planned for 2050 at the earliest). Direct flight connections are therefore particularly important to Finland's export driven economy.

(\*Eurocontrol, 2014)

# Business aviation and international trade

- Face-to-face meetings are crucial in securing business deals and building customer relationships. This is especially true for the professional services industry, where specialists need to be able to meet potential customers, secure deals, transfer knowledge and provide after-sales care face-to-face. Business aviation has been found to be a key enabler in the development of high-value specialist services, providing fast access to larger markets and potential clients in new areas. (York Aviation, 2014)
- Service exports are expected to provide the majority of Finland's export growth in the future. In 2013, service exports were 29% of all exports and valued as 23 billion euros. The Helsinki area is home to the vast majority of professional services providers.
- A UK study found that British businesses trade 20 times more with countries with at least one daily flight connection than not. (Frontier Economics, 2011)
- 66% of corporate decision makers regard face-to-face meetings as critical to M&A success. (EBAA)
- Connectivity is key to increasing competitiveness by giving access to markets, increasing productivity and facilitating investment. (World Economic Forum 2015)

# Business aviation and foreign investment

- The City of Helsinki aims to be “one of the top 5 European locations for foreign investment.” (Mayor Jussi Pajunen, EY European Attractiveness Survey 2014). Specifically, Helsinki wants to attract high-value investments such as regional headquarters and research and development centers. Location decisions for these types of investments always consider potential connectivity, i.e. the perceived ability to remain connected in the future. (Oxford Economics, 2014)
- Regional headquarter investments look for locations with excellent long- and short-haul links to future markets, key suppliers and partners, whereas R&D investments consider how effectively specialists can move between company locations sharing their knowledge within the organisation. Air connections therefore need to be flexible to adapt to changing mobility requirements over time.
- Drivers of change include emerging opportunities in new markets and innovations in air transport, such as new business models that bring the fast, flexible service of business aviation to a greater market and change the service level expectation for excellent air connectivity. Competition for high-value foreign investments is intense and many international competitiveness indexes are based on subjective measures such as perceived connectivity and service excellence.
- Diverting business aviation to Malmi Airport would allow Helsinki-Vantaa Airport to concentrate on intercontinental and transfer connections and allow Malmi Airport to provide reactive, agile air connectivity in response to changing market conditions. These complementary roles and resulting breadth in international business connectivity would make Helsinki a top foreign investment location.

# Airport operator basic budget

Incomes			Expenses		
Business aviation	891 135,00 €	39,07%	Management team	145 000,00 €	6,36%
GA landings	320 000,00 €	14,03%	Sales/ PR team	194 000,00 €	8,50%
Gov landings	240 000,00 €	10,52%	ATC/AFIS	616 200,00 €	27,01%
Fuel trade	184 000,00 €	8,07%	FBO/Handling team	244 687,50 €	10,73%
Events	100 000,00 €	4,38%	Maintenance team	434 250,00 €	19,04%
Hangar incomes	163 000,00 €	7,15%	Infra	264 000,00 €	11,57%
Office lease incomes	162 000,00 €	7,10%	Building leases	97 200,00 €	4,26%
Land lease incomes	60 000,00 €	2,63%	Ground lease	300 000,00 €	13,15%
ACFT parking incomes	160 920,00 €	7,05%	Total expences	2 150 337,50 €	94,27%
<b>Total incomes</b>	<b>2 281 055,00 €</b>	<b>100,00%</b>	<b>Business profit</b>	<b>130 717,50 €</b>	<b>5,73%</b>

# Total airport Investments to 2025

M€	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total investments
Hangars	0	2	2	1	5	5	0	0	0	0	15
Offices	0	1	2	15	16	1	3	3	3	0	44
FBOs	0	1	0	1	0	0	0	1	0	0	3
Aircrafts	16	15	15	80	80	3	5	3	2	2	221
Total	16	19	19	97	101	9	8	7	5	2	283

- Hangar investments are based on queries made to operators during last 5 years, demand is large
- Office investment is based on 600 new airport based jobs
- FBOs investments are based on future planning and clear need to have facilities for FBOs
- Aircraft investments are based on published projects by operators

# Malmi airport - SWOT analysis

## STRENGTHS

- Only international unscheduled airport within 150km of Helsinki
- Less than 10km from city centre
- No slot restrictions
- Leading pilot training centre, with a domestic and international client base
- 2<sup>nd</sup> busiest airport in Finland
- 45% of national GA movements
- ATC tower

## WEAKNESSES

- no precision approach
- asset maintenance backlog
- poor public transport landside access
- poor brand image
- no business aviation handling service
- lack of hanger space (due to long construction ban)
- runway lengths and carrying capacity place restrictions on types of aircraft used

## OPPORTUNITIES

- business aviation market growth , especially using lighter aircraft types
- new bisav/air taxi business models and modern aircraft creating new market segments
- new medevac business opportunities due to social and healthcare reorganisation
- construction ban lifted
- international demand for high quality pilot training

## THREATS

- potential airport land use change to residential housing area by city council
- new business aviation business models unsuccessful
- lack of funds
- airport future seen as local city issue, with no national importance