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# **Enormous Opportunities for the Aviation Industry in the Middle East and Kuwait**

**Presented By**

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- السلام عليكم ورحمة الله وبركاته، الحمد لله والصلاة والسلام على سيدنا رسول الله.  
Good morning ladies and gentleman,  
It is an honor to be back to speak today at the Fifth Annual Emerging Airports Conference and Exhibition.
- I would like to take this opportunity to thank the Directorate General of Civil Aviation for permitting the registration of ALAFCO aircraft in the State of Kuwait registry, when aircraft are parked between leases outside Kuwait.
- I would now like to highlight the tremendous opportunities ahead for the aviation industry in the region.
- The aviation industry in the Middle East region has seen monumental growth in recent years. And the outlook is bright – the region is expected to lead the growth in global air traffic and aircraft expansion over the next two decades.
- Moreover, aircraft leasing will play an increasingly bigger role in the development of carriers in the Middle East region and in the expansion of their fleet.
- The expected development in the Middle East aviation industry will provide large opportunities for Kuwaiti companies in the aviation sector, including airlines and other companies operating in the industry.



➤ ***Aviation outlook for the Middle East region:***

- Over the past three years, the Middle East has led all regions with double-digit growth in passenger traffic, and is expected to continue to do so in 2015.
- The favorable location of the region allows carriers in the Middle East to aggregate traffic at their hubs and link many parts of the world with one-stop flights – around 80% of the world’s population are within an eight-hour flight of the Gulf.
- According to the industry outlooks, air traffic growth in the Middle-East is forecast to grow at above 6% annually over the next 20 years – the highest amongst all regions.
- Investment in airport facilities in the region has increasingly come into focus. Significant projects are scheduled or are under way at airports in various cities in the Middle East. These projects should help support growing traffic demand in the region.



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- The region's carriers will also need to make vast investments in fleet expansion. The size of airplane fleet in the Middle East is projected to grow at above 5% per annum over the next two decades – well above the world average of 3.5%.
- Today, the fleet size in the Middle East region is around 1200 aircraft. This is expected to almost triple in size to 3500 aircraft by 2034. Demand for new aircraft is expected to represent a market value of USD \$730 billion.



## ➤ *Aircraft Leasing in the Middle East:*

- In order to acquire this substantial number of aircraft, airlines in the Middle East are pursuing different aircraft acquisition methods in addition to outright purchase, such as financing and/or leasing its fleet.
- Aircraft leasing is becoming an increasingly popular method of acquiring aircraft in the Middle East.
- In the year 2000, 15% of aircraft in the Middle East were leased – or just 45 aircraft. Today, the share of leased aircraft in the region represents 33% of the fleet, or around 380 leased planes.
- In Kuwait, for example, there were no leased aircraft in 2000. Today, 40% of Kuwait Airways fleet is leased, Jazeera Airways (commenced operations in 2005) is leasing 100% of its fleet, and Wataniya Airways during its operations from 2009-2011 had 100% of its fleet leased. Wataniya is seeking to resume its operations once again.
- Although airlines in the region currently have large order books with aircraft manufacturers – namely Airbus and Boeing – it is expected that they acquire many of these aircraft through sale and leaseback transactions with aircraft leasing companies.



➤ ***The increasing trend towards aircraft leasing:***

- The growing trend towards aircraft leasing is a global phenomena. Today, leased aircraft represent around 38% of global fleet. By 2020, leased aircraft are expected to account for 50% of the world's fleet.
- Due to the capital intensive nature of aircraft acquisition, leasing an aircraft gives airlines more financial flexibility as it reduces capital outlays, while enabling airlines to free up the equity from aircraft for their core operations.
- Aircraft leasing also allows airlines to increase operational flexibility – through providing interim capacity quickly – and eliminates residual and obsolescence risks associated with these assets.
- Furthermore, aircraft manufacturers have extensive backlogs – orders may take years to be fulfilled and delivered. Therefore, airlines turn to leasing companies seeking immediate aircraft availability. For instance, Kuwait Airways has an order of 25 aircraft from Airbus to support its fleet renewal plan, but delivery will only begin in 2019. To resolve this time lag, Kuwait Airways has leased 12 aircraft to provide temporary capacity until it receives the new aircraft orders.
- By assisting airlines in acquiring new fleet, aircraft lessors will play a significant role in the development of airlines in the Middle East region.



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➤ ***ALAFCO amongst top aircraft lessors in the world:***

- ALAFCO – Aviation Lease and Finance Company – is the Middle East region’s leading aircraft lessor and the world’s premier provider of Shariah-based aircraft leasing services.
- ALAFCO is based in Kuwait, and has a leased portfolio of 50 aircraft leased to 15 airlines in the region and around the world. By the end of this decade, we aim to have a leased portfolio of 100 aircraft.
- ALAFCO has positioned itself amongst the leaders in the industry. The company’s committed pipeline of aircraft is amongst the top ten largest for aircraft lessors in the world.
- ALAFCO looks to provide its airline customers with the most advanced technology aircraft. We have 117 new technology aircraft on order from Airbus and Boeing, valued at around \$14.9 billion. This ranks ALAFCO in 5<sup>th</sup> place amongst the world’s aircraft leasing companies in terms of new technology aircraft.
- ALAFCO provides a variety of leasing and financing solutions and tailor-made fleet solutions to its airline customers around the world.



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➤ ***The development of the aviation industry in Kuwait:***

- The development of the aviation market in the Middle East region will provide enormous opportunities for the aviation industry in Kuwait.
- Airlines in Kuwait will develop their fleet and expand their networks:
  - Kuwait Airways – a pioneer in the aviation industry in the Middle East – is doubling its fleet size;
  - Jazeera Airways has become one of the most successful private low-cost carrier in the region;
  - Wataniya Airways, which had a unique premium-focused business model, aims to effectively return and resume its operations.
- Kuwait Airport will be expanded. The expansion will sustain more capacity and will serve more airlines from around the world.
- We at ALAFCO plan to expand our fleet to 100 aircraft by end of the decade to support the development of airlines in the Middle East and around the globe.





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**Thank You**