

*Countless opportunities at*

# BUYANT UKHAA: PART II

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## Countless opportunities at **BUYANT UKHAA: PART II**

In my column titled '*Countless opportunities at Buyant Ukhaa*' last week, I used aircraft maintenance services as an example of many opportunities opened up at the Buyant Ukhaa airport as a new airport comes close to being commissioned in the Khushig Valley. This time I would like to elaborate on other opportunities.

Three years ago, a total of 20 billion MNT was invested into the Chinggis Khaan international airport (Buyant-Ukhaa) as part of preparations for the Asia-Europe Meeting (ASEM). This investment went to building a transit hall, constructing nine aprons, expanding the total area, and reinforcing 500 metres of paved tarmac.

“ *The total value of the Buyant Ukhaa airport stands at nearly 300 million USD (~750 billion MNT) today. So this capital must produce returns.* ”

There is an opportunity to retain some of the civil aviation services and the existing infrastructure at the

### **OPPORTUNITY AROUND GENERAL AVIATION**

Civil aviation has two major categories, one of which is scheduled air transport that includes all passenger and cargo flights operating on scheduled routes, and the other is general aviation. Mongolia can centralize scheduled passenger and cargo flights at the Khushig Valley, and general aviation at Buyant-Ukhaa.

We are seeing increasing demand for general aviation, including small aircraft flights and helicopter charter services for various reasons such as agricultural and construction surveying, photography, weather and meteorological research, medical and rescue missions, advertisements, aviation sports and training, and even leisure.

Buyant Ukhaa airport, and work proactively to meet emerging demands. However, if we don't put some urgency into deciding what those services are going to be, the total cost of maintaining 480 hectares of facilities with all its infrastructure (heating, water, sewage... etc) would most definitely come from the 100 million USD centralised to the public budget each year from navigation services.

Besides aircraft maintenance, the Buyant Ukhaa airport can be used for more general aviation purposes, as a facility where an aviation school could be based and as a place to assemble small aircraft. If we get organised without wasting time and implement it with a determined vision, we would be able to increase the revenue from the aviation industry. It can take the form of a state-owned company initially, but to be turned public later on.

“ *In 2017, mining charter flights to Oyu Tolgoi and Ovoot had a total of 216,000 passengers, which doubled the number of total passengers on local flights.* ”

However, the availability is smaller for flights that provide medical emergency support or immediate protection of the environment. It also goes without saying that the Mongolian military and law enforcement would always need aircraft and an airport.

Furthermore, we are currently unable to meet the demand for private and commercial flights, let alone, tourism and air taxis.

It is time to acknowledge that people are becoming increasingly interested in the private use of aircraft, hence the demand is growing. The most sensible location to keep such aircraft and fly them close to the capital city is Buyant Ukhaa. So we need to urgently determine standards and

## AVIATION TRAINING CENTER

The International Civil Aviation Organization (ICAO) estimated that there was a total of 62,000 non-military aircraft globally in 2010, and the number would grow to 152,000 by 2030. What this means is that the growth will need to be fed by approximately 2 million aviation jobs, including pilots and maintenance workers. The existing training facilities are struggling to keep up with the ever increasing demand that continues growing year by year.

Forty-percent of this demand is accounted for by the Asia-Pacific region. By 2020, China's general aviation fleet is expected to increase to 5,000 with 500 airports newly built. This would take their general aviation flight hours to 1.75 million. China is also dramatically increasing the production of smaller aircraft.

When it comes to aviation training, Mongolia has a geographical advantage where there is a clear sky for two thirds of the year and nearly all flying conditions can be simulated in between four seasons.

*“ Therefore, we have both the opportunity and the demand for setting up an aviation training center where pilots from our neighboring countries could come and practice. ”*

China's Ministry of Defence controls its airspace and provides a permit for every single civil flight, which makes it complicated to do training flights. So there is some interest in

## ASSEMBLED IN MONGOLIA

Mongolia has an opportunity to set up a production and maintenance center for smaller aircraft. MIAT is working with Russia to trial assembly of older AN-2 aircraft in Mongolia. A newer model of this aircraft has been created in Novosibirsk.

This aircraft, which can take off from and land in many different conditions including water, snow, and soil, can fly 1,400 kilometers without making a stop and accommodates 12 people on board. It has been used in Mongolia for many years. Russia received an order of nearly 300 of these aircraft from Southeast Asian countries, but cannot currently supply them because of Western sanctions. Therefore, they offered that Mongolia co-assemble these aircrafts. So it is time for us to actively seek to start assembling the AN-2 or a similar

requirements for private aircraft and helicopters, develop relevant regulations, and install the required navigational systems that allows communication and tracking for short-distance flights.

developing a pilot training school in Mongolia. It is said that, even though China needs to prepare thousands of pilots, they struggle to get the visas to the United Kingdom and the United States for training purposes.

Mongolia is also seeing an increased demand for civil aviation workers. We train our professionals both in-country and abroad. In the last six years, the Civil Aviation Authority of Mongolia spent 1.7 million USD sending 56 aviation trainees to countries such as the United States, Canada, Ukraine, Thailand, Russia and Australia.

We need to start setting up an internationally accepted training center at Buyant Ukhaa using its existing infrastructure and begin preparing pilots, engineers, and technicians in a methodical way. This center could be funded through an international project and initially operated by foreign experts, who we need to learn from. We could look into making it a branch school of an American or European school and bring their personnel to conduct training. We can start as a pilot practice facility and then morph into a fully equipped aviation school. Our vision should be setting up a facility that is accepted anywhere in the world.

Setting up an aviation training center would also have add-on effects, including the growth of the hospitality and service industry around the Buyant Ukhaa airport. This could also mean thousands of new jobs.

Western competitor model.

Smaller aircraft are usually in high demand for countries like Mongolia that has a large territorial area, which makes paving roads less effective. We cannot sit idly by while the rest of the world sets the rules in making and operating aircrafts.

*“ The authorities have both the duty and the responsibility to make smart decisions beneficial to the country in the longer term and to use these opportunities that Buyant Ukhaa offers, rather than seeking short term gains from building apartment blocks. ”*

2018.08.08



## DeFacto **REVIEW**

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### MONGOLIAN POLITICAL PARTIES HELD EXECUTIVE MEETINGS

*In June of 2018, member of parliament, Mr. Gantulga officially resigned from his position. As a result, around 22 thousand people in Khentii province are currently without representation in the parliament. That is why Mongolia will be holding by-elections on October 7. 13 out of 28 political parties will be competing for this seat. Last week, two of the major political parties, the Democratic Party and the Mongolian People's Party, held executive meetings to nominate their candidates. They have not announced their nominations yet.*

This by-election is particularly important because they provoke political parties from their lairs and make them come out. Out of the registered 28 parties, 22 of them are closed to the public. When the [DeFacto Institute](#) tried to reach out to political parties to conduct research on their internal democracy index, only 6 of them cooperated. This means that 7 more parties will be waking up and joining this by-election.

According to the Election Law, Provision 57, political parties that have not submitted their financing within 45 days after the election hold will not be allowed to go to the next election. This happened to the Mongolian Civic Will-Green Party.

However, this statement of the General Election Committee provoked me to think that the rest of the 13 parties have already submitted their reports. Unfortunately, these reports are not posted at General Election Committee's website, which makes me to ask the Head of General Election Committee, 'why are you receiving these reports if the public can't see it?'. The website has no information about the 2016 Parliament Election, or the 2017 Presidential Election.

This by-election will reveal the approval rate of political parties. However, there is a great chance of not having the by-election as there was recently a submission to the Constitutional Court that this by-election time frame is not

giving enough time, usually 6 months, for public officers to take a leave and run for a position, thus, taking away their right to be voted. But what about the voters and the 22 thousand people that are not being represented?

The Democratic Party's National Policy Committee had approximately 300 out of 410 members at present, according to one executive member. On the last meeting, they have discussed about re-changing the policy of the party to be discussed in their upcoming Congress. People's party also has a problem. The ex- Parliament member from People's Party had a rep, which brings us to question whether People's Party has the moral right to dismiss someone when there's no guarantee that the next person will do it again.

Transparency of campaign financing has always been an issue in Mongolia. It is still true in this case as political parties have never released any announcements to the general public, and even their members. In the DeFacto Institute's Internal Democracy Index book, we have evaluated parties based on 4 categories: participation, competition, transparency and financing. The 6 parties have scored 51 or so, which means that they are only semi-democratic, in which, financing transparency played a key role. The overall cost of this by-election will be 288 million tugriks.

### THE GOVERNMENT DECIDED TO ESTABLISH "TAVAN TOLGOI RAILWAY"

*The government decides to speed up the construction of the railway connecting Tavan Tolgoi coal mines to the Mongolian border with China. The railway will be 267 kilometres long. On Wednesday last week, the government decided to establish Tavan Tolgoi Railway Company. The company will have 51% state ownership and the owner of the remaining 49% is yet to be announced. The railway will save 22 to 25 dollars per tonne, compared to the current cost of transportation by truck. The government has already spent \$287 million on the railway construction project. Additional amount of \$790 million is needed to complete the project. The government plans to obtain part of this sum from pre-sale agreement of coal from Tavan Tolgoi. Since its transition to market economy, Mongolia has not had a good experience with state-owned companies.*

According to a feasibility study was made ten years ago by Mongolian Energy Resources with the help of a German company, the rail would cost \$600 million and the trains would cost \$100 million, with a total cost of \$700 million. However, the project was stopped due to propagandas saying that building a narrow-gauge railway means that Chinese army can come to Mongolia any time. Say the project was done in 2010, we could have saved a lot of money in the past 8 years.

One problem is that obtaining the rest of the money to complete the project might be hard on the soon-to-be owner of the 49% of Tavan Tolgoi Railway Company. It is a very tough responsibility to take care of the fundamentals and build a railway that has been abandoned for 5 years. The pre-sale agreement is probably the most positive thing that we have heard from this deal.

It would be much better if it had been a private business as

it is very hard to manage the commodity price. Development banks like ADB and the World Bank would be suitable because an infrastructure project like this takes years to build. For example, ADB built a railway in Afghanistan in the same conditions and it cost \$117 million per 5 kilometers. The feasibility study suggested \$2.24 million per kilometer, but now, the government suggests at least \$4 million. It is relatively expensive and as time passes by, it will get more expensive.

Australia has no mining deposits or railways. It is better to raise money for such construction through either private companies, or development banks, as mentioned.

## MONGOLIA LOST THE ARBITRATION CASE OF ERDENET MINING CORP. VS. STANDARD BANK

In May 2016, Mongolian state-owned Erdenet mining corporation was sued for \$51 million by Standard Bank of South Africa. The interest of the loan is reportedly \$900 per day. Erdenet mining corporation is a collateral on the loan agreement between Standard Bank and another Mongolian private company, Just Group. In July 2018, Mongolia appealed to the London Court of International Arbitration and lost the case. Mongolia is expected to pay \$109 million, plus legal fees to the plaintiff. Erdenet mining corporation's former CEO, Mr. Ganzorig is being investigated and Mr. Batkhuu, the president of Just Group, is in jail today. Unfortunately, not everyone responsible for this case is being punished as it is still unclear until this day. Mr. Batkhuu said that he had forged a signature when signing the documents, but the Standard Bank claims that it is original signature of the Erdenet company.

Mongolian Court is working very poorly that many higher ranking corruption cases are being held investigated for years. It is very slow and incompetent that people are paying second-time arbitration cost. The first arbitration case was against Khan Resources Company of Canada, whose license was taken and given to Russians by the Prime Minister of the time, Mr. Bayar. We also had to pay about \$100 million, in which, we've paid off about \$70+ million of it. It is extremely unfair that ordinary tax payers have to pay for the criminal acts these people are doing.

Erdenet's assets are frozen now, which means that it can't do

As our southern neighbor buys almost all commodities from us, except for a few that Japan and Korea buy, China is the most suitable partner to get investment from. Therefore, the investors will most likely be Chinese companies and state-owned companies. In order to raise about \$1 billion, that much money is going to be taken from our social needs, like education and salary, which means that it is a very risky step and we should probably think twice.

any international transactions and if Erdenet goes bankrupt because of this incident, it will be very bad for Mongolian economy. The Court system should finalize who is responsible for this and make them pay for this loss.

Private parties are very much diffused into public companies that when a different party takes the lead, all the heads of these companies are replaced because it will be easier to have an internal connection. It is the same for Erdenet's case and everybody that is related should be investigated. Parliament member Mr. Sanjmyatav, who has been in the arbitration case recently, gave this information to the arbitrary, but on July 10, the appeal happened. It is unfortunate that some of the arbitration money is spent on the Standard Bank's executives' first-class flight and hotel stay, where it could have been spent on schools here. The two main parties are partly to blame for this as well, since they don't let each other grow and don't let an opposition party in. Too many political and business matters are mixed together now that it's hard to separate them now. The money that could have been spent to fight poverty is being spent at the expense of this corruption.

The payment will be paid by bond balance. Then, the government is to compensate that because otherwise, they will have a loss. Even though there are clear names of suspects responsible for this, who should be paying for it, but the process of the judicial system investigating, approving and announcing their sentences is lengthy and slow.



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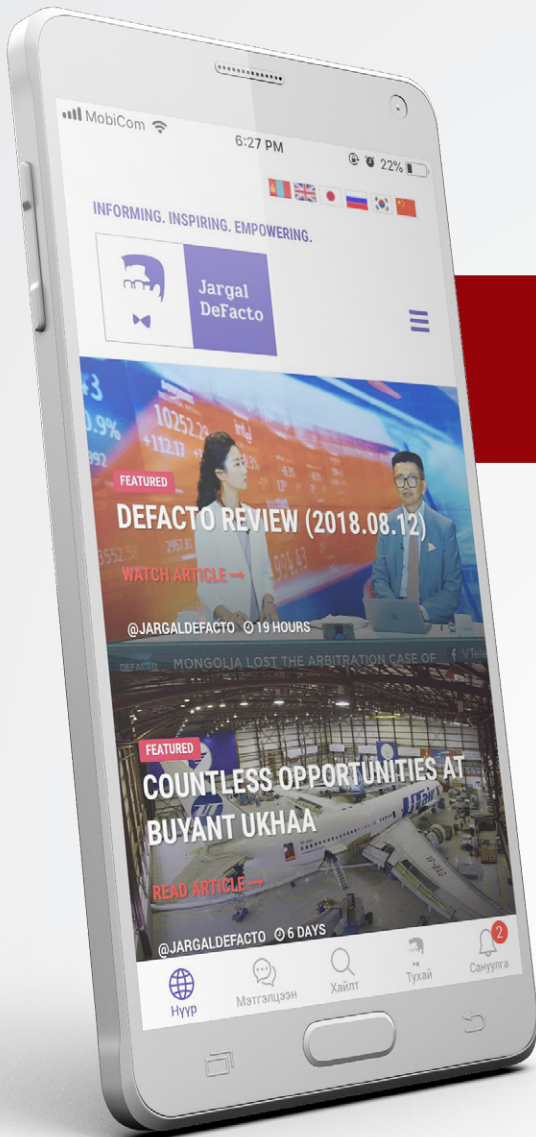
  
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*This review has been edited here for space and clarity. You can watch the full 30-minute review on the DeFacto website [\[HERE\]](#)*



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