

One, Two, Three - Lift!

Having returned from NBAA 2010 in Atlanta, I was struck by how similar the conversations were from group to group. One in particular was, "What can we do to help the pre-owned inventory prices recover?"

This familiar mantra was spoken by the aircraft manufacturers as they lamented about the disparity between the pre-owned and the new aircraft prices. For them there was such a large gulf that buyers have found it difficult to justify paying the higher prices for new aircraft, thus creating a slower recovery for this segment of the market.

The next very vocal group was the paint and interior contingency. Until prices stabilize people are not as willing to invest in expensive cosmetic modification projects. This, too, produces a large segment of our industry with a slower-than-hoped-for recovery path. Avionic modification companies have the same concerns, as lower prices are keeping additional investments from occurring at a pace they had hoped for.

So what is the answer? I wish it were as easy as waving a magic wand. This is a multi-faceted problem that will take a multi-faceted solution.

For many, the perception was that the problem stemmed from the brokerage community. People actually felt we held the key to the decline in aircraft pricing and that we single-handedly held the key to the recovery as well. I only wish we were that influential in the market. Often, all we can do, as aircraft sales professionals, is hold on for the ride. After all, if given the choice, who in the world would ever work to have a market go down? We have far bigger incentive - as commissioned partners - to sell a more expensive plane over a cheaper one.

Have you ever seen a circus act where people are standing around a tarp and collectively they raise the tarp off of the ground throwing the clown in the air? If everyone is not in sync and only one or two lift while the others do not, the clown would not be thrown into the air.

It takes the coordination of everyone lifting at the same time to bring enough energy in order to have the desired effect! I believe the same is true with regard to the current aircraft market. There is no way that brokers or dealers can declare prices need to rise and they will. However, if the collective market starts to lift all at once, on cue, the market could begin to gain its footing, and prices could start to firm rather than decline.

I must say that I do not foresee any more double digit declines in the market, though I do see some segment-specific areas where prices still have some single digit declines ahead of them. Now let's talk about who should be grabbing the tarp and lifting:

First and foremost, the **current aircraft owners** have a huge responsibility in the lifting process. After all if the condition of the aircraft is not good, or if maintenance has not been kept up, then this alone will be reason for specific aircraft not to meet the high standards necessary to create a firming of prices.

Lenders too must take hold of the tarp. They must help by defining value to the 20+ year old aircraft through their willingness to lend on this segment of the fleet. However, if the specific aircraft is not maintained to the highest standards, lenders have every right to discriminate. I have always said that not every plane is worthy of financing, and not every buyer is worthy of borrowing. Nonetheless, broad brush discrimination based on age alone has been a huge contributing factor to the weakness felt in many aircraft categories.

The next group needed to join the circle and help lift our industry back up are the **program providers**; SmartParts, JSSI, MSP and CSP Programs and ProParts among them. These providers help instill confidence in buyers that the aircraft they are purchasing has been maintained to high standards, and that value will continue to be preserved through enrollment in the program.

Avionic manufacturers and modification providers need to take hold and lift as well. Their continued interest and investment in the fleets will instill confidence in owners and buyers. I spoke with many of these manufac-

turers at the show, and they have every reason and desire to be a positive influence on value-added items going forward.

As you can see, it is not the dealers or brokers alone that can add value, we can only tell the positive story that all the other industry players are willing to write. We have a very exciting future and we must all be a part of a strategy going forward that will contribute to the fleet pricing recovery.

Historically, pricing recoveries are never fast. In our last downturn of 2000/2001 it took almost five years for prices to come back. Going forward, this current recovery must be grounded on confidence in the fleet of pre-owned aircraft being valuable and viable to provide safe efficient air travel for years to come.

Just because a market finds a new bottom does not mean it has lost its value or ability to redefine itself from a new pricing perspective. As I walked the halls of NBAA2010 this year I heard conversation after conversation that spoke of optimism and hope for a bright future.

It is up to all of us to grab hold of our market, and on cue lift it up off the ground: Ready? On three; one, two, three - lift!

➤ **Jay Mesinger is the CEO and Founder of J. Mesinger Corporate Jet Sales, Inc.** He is on the NBAA Board of Directors and is the Chairman of AMAC. Additionally, Jay served on the Duncan Aviation Customer Advisory Board for two terms, is a member of EBAA and a member of the Colorado Airport Business Association (CABA). If you would like to join in on conversations relating to topics like this, and other trends in the business aviation market, join Jay on the cutting-edge of business aviation by sharing your comments on these various social networking platforms - Jay's Blog www.jetsales.com/blog, Twitter and LinkedIn. For more information visit www.jetsales.com ■

