

# A Renewed Focus

**I**t's funny how sometimes things will appear one way and then seem different upon closer examination. For example, over the last few years the older smaller jet aircraft virtually stopped selling. Some of this was due to an overall reduction of transactions in the whole aircraft market and some due to the almost complete lack of traditional aircraft funding for the older aircraft. Now we are starting to overcome both of these obstacles which is resulting in the older, less compliant aircraft showing signs of activity.

However, it is important not to mistake this activity and renewed sales for a market that is firming up or rising. On closer inspection, it is actually the opposite that is creating the interest. In fact, it is the lower pricing that is creating the flair-up by attracting first-time buyers who are realizing that with a million dollars, plus-or-minus, there is an opportunity to own an aircraft.

Not all these older planes are in that price range, but a significant number of Lears, Citations and older Hawkers with -731 engines do fit into this group.

When helping clients to select the right plane during a down price period, I caution them to be careful and to avoid buying a cheap plane cheap, but to buy a great plane cheap. There may be an abundance of inventory to choose from in the cheap plane category, but it is the closer examination that helps to distinguish which of these is a great plane for a great price, as opposed to a not-so-great-plane at a cheap price.

Just recently we looked at a group of SII Citations - one of those planes in the million dollars, plus-or-minus category. There were 37 aircraft listed for sale, and the serial numbers ranged from single digit numbers, representing 1984 model aircraft to triple digit serial numbers, representing 1988 model aircraft.

Next we looked at the total airframe time for the aircraft listed which expanded from 2,200 hours to 12,000 hours (interestingly the highest time did not correspond with the oldest plane, and the lowest time did not correspond with the newest plane). Then we tried to identify which of the 37 planes had the

avionics equipment we wanted, based on the flight profile of the prospective buyer. We also eliminated the aircraft whose sellers told us theirs had any major damage or missing records.

Once we had this list, we set a benchmark of 6,500 hours total time, eliminating those aircraft with higher times, damage history or records problems - and also those without the preferred avionics, leaving us with a list of six. There is no magic to this process as many of us have used some type of qualifying method whenever we try to build a shortlist.

Next came the difficult part of laying out a protocol for the pre-buy inspection. Just because a plane is priced far lower than ever before does not eliminate the buyer's demand to be sure they are buying a safe aircraft as well as not inheriting the current owner's problems. Therefore, the delivery conditions in the contract are not that much different from the ones for planes which are priced 70% more.

In the case of an older Citation it is not unusual to take one of these planes to a Citation Service Center and find well in excess of \$100,000 worth of discrepancies. Imagine paying 10% or more of the purchase price just to comply with the basic delivery conditions!

Sellers are often unwilling (or unable) to make that kind of concession to sell the plane and buyers are faced with paying for an inspection, only to find out that they cannot afford to buy the plane given the cost of the discrepancies. This scenario is not always easy to navigate with the buyer and the seller; however, there are a few ways to avoid this kind of ending.

One solution may be to collaborate with the seller and work to find a smaller shop to facilitate the inspection and corrective action. Another way to keep a deal like this moving forward is to collaborate on the method of rectification used to accomplish the discrepancy correction.

Maybe there are used yellow-tagged parts that can be chosen rather than new ones. Maybe there are items that can be repaired rather than exchanged. Other parts availability considerations must be weighed, but sometimes the only consideration for what might

be a huge cost savings is time. Situations where repairing takes an extra week or ten days may be much more palatable to everyone than walking away without the sale.

Nothing replaces a good contract that defines rejection considerations. If a seller is unwilling or unable to make the aircraft meet the delivery conditions, they should reimburse the buyer for the cost to inspect the aircraft as well as the cost to move the aircraft to and from the inspection facility. If a buyer rejects for any other cause, then those costs should remain with the buyer.

The bottom line for the buyer and seller is to partner together and be open to creative solutions. We need to remember that these older, less compliant aircraft have great remaining value, but they can also have higher operational costs.

Work to find the balance between those two data points. Also keep in mind as a buyer that the idea of these drastically lower selling prices are often distasteful to the seller and be empathetic to these feelings as they are real, and can add huge emotional impact to an already emotional process.

The buyer and seller need to work together to develop a deal that leads to a successful ending for both parties.

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