

# Eroding The Critical Mass Away

**T**here is no feeling like selling or buying the occasional Gulfstream G550, Bombardier Global XRS or Dassault Falcon 7X to, or for a Fortune 100 Company. In fact if you walk up to two aircraft brokers talking at a convention, you will likely hear them telling each other about those sales that they have each made. However, it won't be long before you will be able to get a word in. There are just not that many of those sales made...

If you walk up to those same two aircraft brokers a little later when they are talking about the Challengers, Hawkers or older Gulfstreams and Citation aircraft they have sold, you'd better expect a longer wait. These stories could go on for a long time.

This little introduction is the best way to describe what I call the 'critical mass of our market'; the majority of aircraft purchased by the small and mid-size companies that make up the real critical mass of the Business Aviation industry.

Recently, one of my clients and I were talking about the selling process of his Challenger. It was in a pre-buy that included a series of very heavy airframe inspections. As a function of the sale, my client agreed to allow the purchaser to accomplish these inspections in conjunction with his pre-buy, which created a protracted event. Everyone expected the timing, but what no one expected was the depth of findings.

This client had operated aircraft for 25 years and run a very diligent flight department with dedicated maintenance personnel and flight crew. The depth of findings were not a result of neglect, but were merely a result of the invasive nature of the inspection. In fact this inspection was the first time many areas of this aircraft were exposed since being manufactured 25 years ago.

Prior to going through this inspection the client asked his Director of Maintenance (DoM) to give him an idea of what they might find during this inspection and what the rectification costs might be. The DoM said he thought \$250,000.00. My client added 50% to that. So they entered into the process expecting costs of around \$375,000.00. Confident that

their estimation of \$375,000 was correct, they proceeded with the deal. What they had not considered were the changes in FAA and manufacturer criteria that had evolved over the years since production.

Bonded surfaces, the ADG that worked perfectly when it arrived yet when closely inspected failed due to spots of corrosion beyond limits. The list of non-compliance continued to grow - though nothing would have created an unsafe flying condition at any time in the near or distant future, and nothing emerged that scared the purchaser.

Yet those changing FAA and manufacturer criteria caused the inspection facility to deem the areas or components of the aircraft to be beyond the legal criteria or out of limits. Therefore, in order to bring the aircraft within legal limits and meet the current standards, what was thought to be a \$375K expense turned out to be an \$800K final bill.

My purpose in bringing this situation to light is to help participants in our industry understand the costs that are beginning to erode and drive away the critical mass (small to medium-size corporations) from aviation.

I am not proposing relaxing maintenance criteria, or turning a blind eye towards needed corrective action, but I am encouraging our industry to be aware of the affects these costs are having on the business aircraft owner and Business Aviation as a whole. The price of jet fuel is at a record high, and there are increasingly fewer lending platforms available for pre-owned aircraft buyers.

The rising cost of maintaining an aircraft is running wild, too. Let's not mention the TSA security issues, or the access to airspace concerns: There may be no operators who will need the airspace, and no flights to worry about security for if we're not careful.

I believe we need to begin to protect our existence by taking steps toward implementing controls before we as an industry price ourselves out of reach for many, if not most of the participants.

When I started out as a Piper dealer in 1974 you could buy an air-conditioning belt for a Piper Warrior for \$270.00. You could buy the same belt at the auto parts shop for your automobile air conditioner for \$9.00. The

difference: FAA certification costs.

Today the cost for a 22-inch flat screen monitor is \$23,000.00 - an astronomical price for FAA certification and Side load impact certification! For HD switching and amplifiers, you'll pay an additional \$7,000.00. You could spend just \$299.00 for an HD-ready flat screen monitor at Best Buy. The cost of a microwave in an aircraft is one of my other favorites - \$14,000.00 (you've guessed it: FAA certified, STC's and 135 ready).

The lines forming to have equipment installed are getting shorter - but don't blame it all on the economy. Bringing some reality into each and every aspect of our collective industry would help. We're losing customers, not to mention first-time buyers, as well as potentially losing the future of Business Aviation.

Each and every one of us needs to look within; not to inspect aircraft less, turn a blind eye on problems and avoid fixing/modernizing aircraft - but do look for ways to make it more appealing and affordable for the critical mass to participate. Let's give the brokers greater and more diverse transactions to talk about rather than the occasional G550, XRS and 7X deal. Otherwise conversations may soon become very short, with little to talk about.

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