

Our Battle Is On Many Fronts...

It seems that we as an industry are under siege. Just wake up any morning and open the newspapers. We have never had the enormous challenges we collectively face today. It almost feels like we are fighting the public relations battle for the entire economic meltdown.

Sometimes it is easier for me if I break a problem down into its parts and address them one at a time, in order to understand who, why and how these individual parts can be weighed, fought and overcome.

If we as aircraft professionals, who are tasked with buying and selling, were to weigh the issues facing us, we might first address the declining values of aircraft. I think when addressing this segment we must first agree that there is a declining asset value. Many owners and industry participants unfortunately do not, cannot or refuse to believe this is happening, but it is. This is like my oft-used analogy of the high school dance; as the evening begins, boys congregate on one side of the gym and girls on the other. Fearful and shy, each refuses to cross the centerline to begin the dance. In our world, buyers move to one side and sellers move to the other.

Sellers do not often grasp at the onset of an economic shift that it will last long, be deep or effect the price. Buyers who feel that it may last long are unwilling to overpay and stand on their side. Finally, after a while the boys and girls cross the gym floor to dance, just as sellers do as they begin to see the reality of the situation and start to meet the reluctant buyers half way across the negotiating floor.

Some sellers, having recognized the dramatic change in the market, have lowered their prices and are getting their aircraft sold. This is benefiting all aspects of our industry. If there is anyone that does not believe that the market is down significantly from its demand rich, premium-based highs, they are going to miss the dance. If anyone thinks this is going to be a quick recovery or a slingshot back into yesterday, I am afraid you will miss the opportunity to sell. I am sorry to sound cavalier or seem as if this is an easy environ-

ment to operate in, because it is not, but it is real. I am asked daily about when our market will stabilize or when it might be at the bottom. I do not know for certain, but I am sure the market is not yet stable. There is much to sort out before the market stabilizes.

First, from the top, what will happen as a number of new aircraft begin to deliver, and the buyers who ordered them years ago are no longer there to accept or pay for them? The manufacturers will try to work back up their waiting lists and try to solve the problem by providing an earlier delivery for those later in line. Once that exercise is complete, what happens next? The answer to the enormity of that segment of the market is unknown at this point. The solution as it becomes evident, could dramatically apply more downward pressure to the market.

Second, the next critical factor to the lower demand is the almost non-existent market for aircraft lending. This is not to say that lenders will not make an aircraft loan, it is to say that the market has been greatly impacted by the lack of banks who are willing or able to devote capital to this important part of their lending portfolio. Back in early 2000, we had our industry's last downturn. The economic conditions were poor but if you wanted to buy a plane, lenders were literally throwing money at you! Today there is no need to wear protective gear.

Another factor, and probably one of the most problematic, is the optics of owning and operating a business aircraft. This one creates the greatest challenge to a successful defense. When the Big Three auto makers went to Washington, DC, they were very poorly prepared to answer what should have been an obvious question. How did they get there? Did they come in their individual jets? That could have been a great time for the long-standing merits of our business to be articulated, however, it was not.

Next, Citigroup's new aircraft purchase and more defensive posturing on our industry's part led to more distraction from real issues, and the hard work ahead like TSA rules that our industry needs to focus on. If the rules TSA suggests are implemented, we will have a long-standing blow to our indus-

try that not even low prices for aircraft will be able to overcome. Access to airspace is another hard fought critical battle that we as an industry must win, as well as user fees, and the FAA Re-authorization Plan.

Also, the small and mid-size businesses that operate over 85% of our fleet must not be dissuaded from owning and operating corporate aircraft. We must not let our industry be legislated out of business, and we must not be mandated out of existence. This vibrant industry of ours employs hundreds of thousands of people in the United States alone. Small towns could be closed down in many cases if the single employer that exists there and who owns a business aircraft were told they could not enjoy the airspace, or if the proposed restrictive TSA legislation were enacted as currently proposed.

If businesses that have existed in these towns not served by commercial aviation had to move to a larger town because they could not freely operate their business aircraft, the town would shut down. We need each other's help in order to have our Business and General Aviation industry's needs heard.

Please go to the NBAA's website, www.nbaa.org, and press the contact Congress button. It will take you to a section that will allow you to write to your Senators and Congressmen regarding these critical legislative issues.

Our battle is far from over. Please do not give up on our relevancy and vibrancy. Let's fight as a team. Let's fight as winners!

► Jay Mesinger is the CEO of J. Mesinger Corporate Jet Sales, Inc. He is on the NBAA Board of Directors and is Vice Chairman of the AMAC. Additionally, he served on the Duncan Aviation Customer Advisory Board for two terms, is a member of MEBAA, EBAA & is associated with IBAC. More information visit www.jetsales.com ■

