

Zero To 60:

What a start-up process looks like in today's market

You've seen the car ads - tough, muscle cars line up at the starting line, the light turns to green, and away they go. Zero to 60 in mere seconds. Then the announcer comes on to declare the winner, going on to describe the attributes of the winning car: Speed, agility, and other benefits. Today's aircraft buyers also seem to want to go from zero to 60 in mere seconds and fly in the newly acquired aircraft as quickly as possible.

Today, more buyers than ever in our 34 years of experience are hiring our company, and when they make the commitment to get on the track, hold on, they want a process that is lightning fast, but misses no turns!

Most of our acquisition clients are attracted to like-new aircraft, despite this segment of the market being quite unapproachable. In fact, almost all of our business these days is centered in this arena. I have spoken often in this column about the pricing phenomenon around near term, new delivery and the like-new aircraft. Prices seem free floating and not linked to anything other than supply and demand.

I might add, however, that this segment brings great benefit along with it.

Manufacturer's warranties are often still in effect, product support is enjoyed at the highest level, technology is the latest and greatest, and dispatch reliability is the best. Clearly, there are many reasons for those capable to choose this segment as a point of entry. Now let's look at process and speed.

You could look at the "Zero to 60 in Seconds" designation as an indication of the time from being hired by a client to the closing. First-time buyers could look at it as a metaphor for starting with no aviation investment and then quickly getting to a huge one. Both would be correct in this example. If you look at the investment in the aircraft given today's cost or barrier to entry, you would see that in short order someone with no involvement or investment is quickly on par with many people who have invested in a new, highly capitalized, start-up business.

In fact, as I start these acquisition processes with new entrants, I try to take each step and liken it to a business start-up. Each section of the process must be well thought out, properly planned and, most importantly, perfectly staffed. After all, the aircraft is basically an inanimate object until you add the people. So it goes back to what I have always said about this business: It is not an airplane business, it is a people business; people selling people aircraft, or people flying people in aircraft.

I don't want to minimize the very important work in profiling the mission and choosing the correct aircraft for the job, but I also don't want to understate the critical importance of the operation and people that it will take to have the aircraft perform as represented by the profiling process.

If you look at an operation in slices, you can see pieces of a pie that are individually labeled with the name of an integral participant. Let's take a look at the pieces.

I've always believed that for a first-time entrant, the idea of management is crucial and the partnership is invaluable. This applies regardless of the rules that may apply to operation, whether it be 135 charter or part 91.

Another key piece of the pie is the maintenance personnel that are either dedicated to your aircraft exclusively or tasked with a directorship among a very small group of planes. In fact, a maintenance director should be on-site with your acquisition professional at the pre-purchase inspection so that they can best understand the asset and be involved from the beginning.

Additionally, the insurance piece of the pie is enormous. A skilled insurance professional should carefully analyze the operation, the equipment, and the structure of ownership to develop coverages that match the needs. Not too much and certainly not too little. In fact, while I feel that the structure of the process and the operations of the asset are important, having the right insurance coverage is critical.

The tax professional is integral. This should be someone currently on the client's

existing team working in conjunction with someone with aviation specific knowledge brought in to assist the client's internal team. There is so much change today in the area of taxation that this area must not be overlooked.



Considerations should not be made using even year-old intelligence.

'Legal' is the next people-piece of the pie. Of course, one's in-house counsel or current legal professional is vital, but in addition, the use of a highly skilled aviation attorney is a must. Do not just consider that one needs an aviation attorney to look at a sale and purchase contract. One also needs aviation intelligence when negotiating the management agreement, loan documents specific to the transaction, the operating leases so as to fit correctly within the regulatory minefield, and the insurance policy. This ensures that expectations of coverage, once blended with the operational aspects, are met.

Lastly, there is no piece more pivotal to a great operation as the flight crew. The pilot and all the characteristics of the crew can make or break the enjoyment and sheer success of the new operation.

Make this choice wisely and with absolute clarity so that the operation meets or exceeds the initial expectations that drove you to this very expensive, valuable method of transportation. Do not let the entire business you just invested heavily in be misguided by a 'piece of pie'. Remember, Zero to 60 in Seconds is fast - don't let the wrong people take you to the wrong finish line.

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