

A New, Bigger Perspective

As dealers and brokers, while looking for an aircraft to buy for a client, how many of you start a call with the following two questions: ‘Any damage history?’ ‘Any history of operation outside of the United States, or has it always been based in the US?’

In the past, I actually think the answers to these two questions have been the very cornerstone for any continued dialogue about the aircraft being called on. This, however, is about to change. The cornerstone is being reshaped to account for a rapidly changing market Universe. The exploding International market will cause the entire industry to rethink, reconsider and in fact revalue our entire fleet of aircraft going forward.

The manufacturers are reporting that between 54 and 62% of their new orders are being placed by companies or people that are outside of the United States. Right now, while the backlogs that each manufacturer is experiencing stay at 24+ months, a higher than ever proportion of like new pre-owned aircraft are going overseas!

How does this effect the two cornerstone questions? What follows is the first of three articles dealing with this “bigger perspective” that needs to be created in our collective minds as our fleet begins to “grow wings” and reside in other parts of the world.

This first article will focus on the perspectives of dealers and brokers regarding an aircraft’s history of operation outside of the United States. The second article will be from the perspective of the manufacturers, focusing on the infrastructure that is currently being created to support these planes in far-off places, as well as the infrastructure contemplated for the next many years. Lastly, the third article will deal with the legal ramifications of the contracting and financing processes of aircraft purchased out of and brought back into the United States and vice-versa.

There are many new challenges for all of us involved in the operation, as well as the buying and selling of these aircraft.

In terms of the perspective of dealers and brokers, there are a couple of reasons why we may not have previously focused on aircraft outside of the United States. Maybe it

was out of laziness, maybe out of desire, maybe just lack of confidence in aircraft not being owned and operated in the US that forced many of us to discount or reject all together the aircraft that have not had 100% of their ownership history in the United States.

It was just easier to qualify the aircraft, see the aircraft, and inspect the aircraft without traveling great distances and overcoming language barriers. That is going to change rapidly. We must not stop asking about an aircraft’s history, we must just learn to weight the answer differently. Hopefully, as with the spoken aviation language, the written aviation language will be English. This will help positively build a more worldwide resale market for planes based in other far-off lands.

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When we ask our aircraft history question, the answer helps us shape other considerations of a non-US based aircraft. The quality control in many parts of the world is just not as mature as ours. There is no way to determine any oversight on maintenance being performed. Logbook entries may not accurately reflect the scope of the inspection or repairs in a manner fully understood by us.

Many parts of the world did not, and still do not have adequate hangar space for aircraft based there. This means that in some of the hottest parts of the world, aircraft sit outside all of the time. This can cause havoc on avionics and paint life as well as interior life. Our reluctance to include aircraft based elsewhere when presenting a list of available aircraft to a client was justified based on these operational conditions.

These conditions will be a part of the changes we will discuss in the articles to come. I think it will be interesting to have the manufacturers as well as the large global

FBO and maintenance chains relate to us their plans to increase quality assurance and factory facilities for parts distribution, as well as maintenance.

The FBOs, I am sure, are planning new, more modern facilities to provide the basic support needed to meet this fleet growth. Hangars, fuel quality and all other vital FBO services will have to improve and grow to meet the challenges of this world growth.

I know that the changes and infrastructure improvements will take place. Soon, the fact that an aircraft has not spent its entire life in the US, will not be as detrimental to its value, as in past times. Now the individual countries will be weighed separately and assessed based on more modern facilities built to support what is a significant segment of the fleet being delivered away.

New friendships will need to be forged between dealers and brokers in all parts of the world. These new sets of trusted eyes will help us cut the initial travel down, just as we all often do now by asking a friend in another state to go look at the plane for us that sits in their back yard.

We will have to educate ourselves about the regulatory needs of the different countries. When buying planes today, future residual value can be enhanced if it either meets, or is qualified to meet, operational standards of a country other than our own.

We will have to learn to trust the work performed by those in other countries. They, of course, will have a proving period whereby they bring continuity and consistency to the full scope of maintenance and operations surrounding this equipment. In essence, we will have to have a new, bigger perspective!

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