

# Owning An Aircraft Means A Whole Lot More...

**W**hether you already own an aircraft or are contemplating owning one, you will appreciate this article. Last week I was in a meeting with a first-time buyer who said that he had scheduled a full day of meetings to educate himself about the buying process. By the time our meeting was over, my client was visibly overwhelmed. For assistance, he paraded in all of the needed players, one after the other, that make aircraft ownership work.

First, he talked to several of the manufacturers about their specific products (the fun part – a sort of ‘show-and-tell’). Each one did a superb job describing the product lines and the benefits of their product over the competitor’s product. Each manufacturer had important differences between their aircraft and the aircraft of their competition.

Next came the reality of the potential aircraft purchase - the real nuts and bolts of ownership. At this point my client had to ask himself if he wanted to use a management company or not, and if so, which one to choose? This decision can be a daunting task because, of course, they all sound good based on their individual presentations.

After that, my client had to determine if he should go part 135 or part 91. This contemplation usually centers around either fulfilling a tax strategy or a revenue strategy. Then there are the decisions regarding maintenance support, insurance providers, and finance partners. The list seemed to go on and on.

By the end of the day, my client not only had a splitting headache, but also more questions than when he’d started. In fact, my client was almost lost in the whirlwind.

How do we, as sales professionals and aviation consultants, sort this out and make sense of it all for our clients? The answer is to simplify the process by laying it out in logical sequences, so that your client can make decisions based on segments of the process. I hope what follows will help set up these segments.

To begin the process, consider how best to fulfill the client’s mission. This creates the road map for the equipment, which is the easy part. Next comes the “whole lot more part.” Equal to the role the aircraft sales pro-

fessional plays, is the role the qualified aviation tax attorney plays. With that in mind, both professionals should be sourced from the beginning.

I have always felt that if you start with the tax strategy, everything else about operations will fall into place. In fact, this strategy is pivotal to the financial modeling and ultimate aircraft selection. Once you know what portion if any is deductible and can be depreciated, you can have a better idea of how much you can afford to spend on the asset. So aside from mission profiling, tax planning is key.

As a first segment in planning, just focus on the mission profile. This is simply a city pair and frequency questionnaire. Added to this are priority-setting questions: number of passengers; size of cabin; etc. Flight plans are run based on city pairs and these resulting hours are multiplied by the frequency. From this value the annual use is shaped.

The second logical segment to address is the tax planning, which should look at usage while addressing personal and corporate splits. Aviation tax and legal specialists will use this exercise to determine tax benefits and to shape operational planning.

Segment three will build on the outcome of segment two. Either due to the need to legitimize the sales and use tax or the federal tax statutes, the decision of operating under part 135 or part 91 with operational dry leases will begin to become clear.

Of course, for a first time buyer, the desire of using a management company may be a logical learning course regardless of tax planning. I always feel that due to the complex array of execution, with respect to operating the asset, management companies can be worth their weight in gold. This is for at least the first year of a start-up operation. Team building and the sheer recognition of moving parts can often be accomplished more smoothly if assisted by a management company. The 135 charter component should be decided by the tax specialist.

Segment four will be the choosing of the management company. Now that there is a clear path for operations as dictated by tax strategy, the discussion of use with the management contenders will be clear and concise.

Choosing companies that have experience with the contemplated type of aircraft is critical, as is in-house maintenance support with like aircraft, safety records and pass-through cost culture. Check references, ask probing questions and be watchful of the care and condition of the management company’s current fleet as you make this vital partnership decision.

Once that team member is chosen, it is time to fill in the gaps. Segment five of this process will shape the crewing question. With the help of the chief pilot and the director of operations of the management company, you will select a crew that brings both skill set as well as corporate culture that matches the needs of your new operation.

Finally, in segment six you develop the insurance, financing and maintenance pieces of your flight department. Many use the insurance carrier that has been chosen by the management company. Often this provides the best negotiated rates and best servicing of insurance needs if claims arise. Most management companies will allow for competitive bids from outside providers. Financing has never been more competitive. A well-built financial package and a clear direction of operation will net you the most aggressive rates and terms.

There are many moving parts to this development process. Just don’t let them move all at once. Focus on small segments and take smaller steps, and the outcome will not be overwhelming. Instead, the outcome will be predictable.

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