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Reflections on BACE 2014

*When the Lights Turned On
in Orlando...*

Jay Mesinger sees encouraging signs emanating from the Business Aviation community's most important bellwether.

Our community is shining. It was evident when the National Business Aviation Association held its annual convention – BACE - in Orlando, Florida during the last full week of October. Suffice to say the attendance numbers were great, exhibitors were pleased and new product introductions were plentiful. Congratulations were in order, but this reflection focuses on why the NBAA event is fundamentally important and has immediate impact on Business Aviation.

Board Members are tasked with providing overall direction and strategy that prepare their company for the future. The character of NBAA's convention and its timing within the community's recovery cycle, therefore, are relevant to how Board Members fulfill their responsibilities with respect to Business Aviation. Understanding the impact of BACE highlights the importance of the Board's strategic plan-

ning with respect to business aircraft and other means of travel for corporate executives, sales and support personnel, and technical specialists.

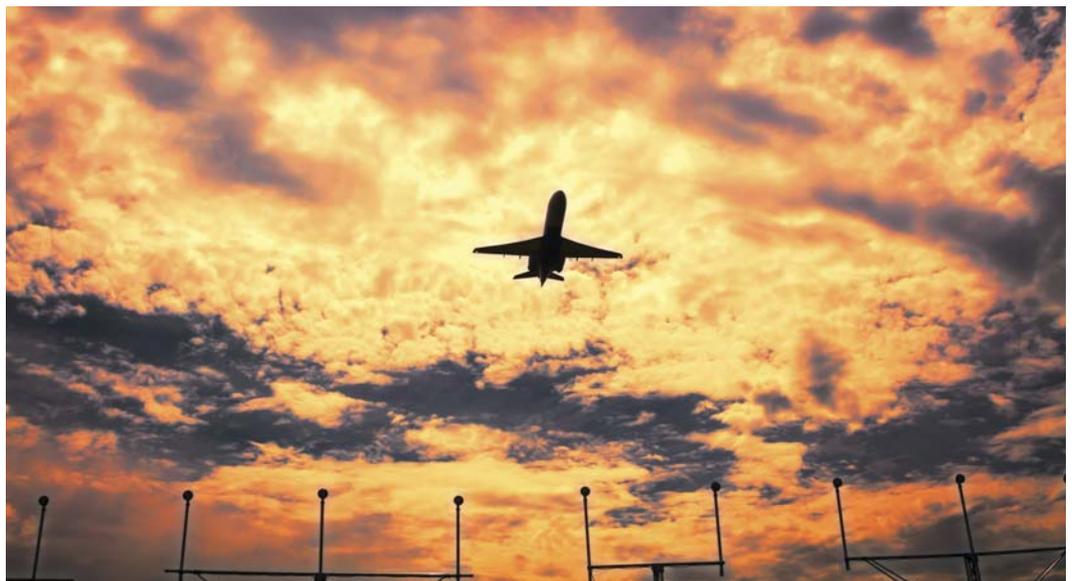
I believe real signals of recovery were present at BACE, but timing continues to be critical. Will the market recovery proceed at a reasonable pace, or will growth be so rapid that companies needing more lift or equipment upgrades be left behind?

OPPORTUNITIES AND SIGNPOSTS

Sustainable recoveries start slowly and trend upward at a steady pace. During the last 40 years our community has experienced five distinct recoveries, and we have learned (or should have learned) not to react to a recovery but to embrace it and help guide its progress. After all, recoveries are not stand-alone phenomena. They follow the people within the industry.

As the confidence of the people actively involved >

"Understanding the impact of BACE highlights the importance of the Board's strategic planning with respect to business aircraft..."



What the Boardroom needs to know about Business Aviation



"With respect to Business Aviation, this inward focus can quickly shift to a market focus."

within the Business Aviation community increases, so does the pace and sustainability of the recovery. If the people falter or pull back, so goes the pace of the recovery. Bottom line, recoveries do not sling shot their way into our reality; rather a recovery moves slowly and provides ample time for participants to jump in.

The following phenomena should be great indicators for Board Members to watch as they seek opportunities in Business Aviation.

- **Supply and Demand:** What percentage of the available fleet of any model is for sale? A healthy number historically is 10%.
- **Availability of models within a category:** Are you seeing the better aircraft separated from the mediocre offerings? In a market dive it seems that all aircraft are cheap, but as a market recovers and transactions pick up, the better listings get picked off first. In fact, buyers begin to pay slightly more for desirable models, resulting in a distinct differentiation between the quality aircraft and marginal equipment.
- **Number of days on the market:** Is the period of availability for the category that interests you beginning to shorten?
- **Pricing trends:** Is there firming or flattening in the previous downward trend of pricing?

LISTEN TO COMMUNITY BUZZ

Board Members are wise to seek intelligence from the Business Aviation professionals within their company. Often heard within the marketplace is the question, "Is the increased activity in pre-owned

transactions a 'Head Fake' or is it the sign of real recovery?" We have had a few false starts in the last few years. Buyers can be distracted easily and use any economy or world event as a reason to put on their brakes and slow down or stop making buying decisions all together.

Ask if buyers are using events to cause distractions or if the events are real game-changers to the trend of a recovery. In 2010 and early 2011 our industry started to pick up steam, but it was short lived and no one really used words like recovery to describe the increase in activity. What we are experiencing now feels and acts differently, and I do not think we are experiencing a 'Head Fake'!

The main focus of the Board should be examining the near- and long-term needs of the company, and then building a strategy to maximize the firm's productivity and profitability. With respect to Business Aviation, this inward focus can quickly shift to a market focus. The good news is the pace of today's recovery in the market for business aircraft should present buying opportunities for a manageable period going forward. Note, however, that while the market has created much better selling activity, full recovery has not been reached.

So approach fleet planning for business aircraft with confidence and an assurance that Board Members can develop and implement a strategy with reasonably predictable and successful outcomes.

Do you have any questions or opinions on the above topic? Get them answered/published in AvBuyer Magazine. Email feedback to: Jack@avbuyer.com

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