



# The Questions Abound... Importance of Regulatory Mandates

Jay Mesinger addresses the significance of impending regulatory changes and avionics mandates for decision makers; particularly those whose companies operate internationally.



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**K**en Elliott is providing critical input in a year-long series in this publication regarding upcoming mandates, with an emphasis on avionic requirements that are either already imposed for operation or likely to be imposed between now and 2020. Most of these mandates so far will be felt first by operators that fly internationally.

The topic of these articles and the mandates themselves have created huge buzz among both owners and providers. Also, the series relates to the needs of industry professionals who are tasked with the daunting job of tracking values and residual loss rates of aircraft. Every lending portfolio manager as well as the editors of Aircraft Bluebook Digest and Vref work diligently to capture valuation information, which is the backbone of our industry. As you can imagine, the solutions that satisfy

equipment mandates are neither easy nor especially cheap. Airframe manufacturers, avionics manufacturers and installers are grinding away at the individual solutions to accomplish the mandate requirements.

This article will not delve into the specific mandates. Ken and others are doing a fine job on that side of the story. There are questions, however, that I think will resonate with the aircraft owners as well as the operators.

Many owners, particularly those who purchased their aircraft within the last few years, must be asking themselves how these requirements seemingly snuck up on them?

Could these mandates, which often involve additional investments in the newly acquired aircraft, been brought to their attention earlier, when they were considering their purchase?

### Insightful Advice

When prospects or clients come to us or other providers within the Business Aviation community, are they aware of “mandate realities”? Do they know what equipment is required for what routes and how a lack of equipment might restrict an aircraft’s operation? Surely they want and need such information.

Unfortunately, some prospective buyers may be unaware of what questions to ask. You don’t always know what you don’t know. Professionals within Business Aviation feel obliged to brief prospective buyers, requirement by requirement, on what will be essential for an aircraft’s operations—model by model and mission by mission. The answers are complicated. Different solutions exist depending on the aircraft model and its installed avionics suite. In some cases aircraft manufacturers have adopted compliant retrofits provided by avionics manufacturers.

Brokers are not required by any authority to educate buyers, but the true professionals take the role of advisor very seriously. Providing the best advice is essential.

The cost for avionics modifications to comply with the FAA’s NextGen and Eurocontrol’s SESAR architectures could run to as much as \$1,500,000 for some older business jets. Upgrading some models will cost less, of course, but no airplane will be exempt from regulatory requirements being established or proposed, particularly for operations in oceanic and European airspace.

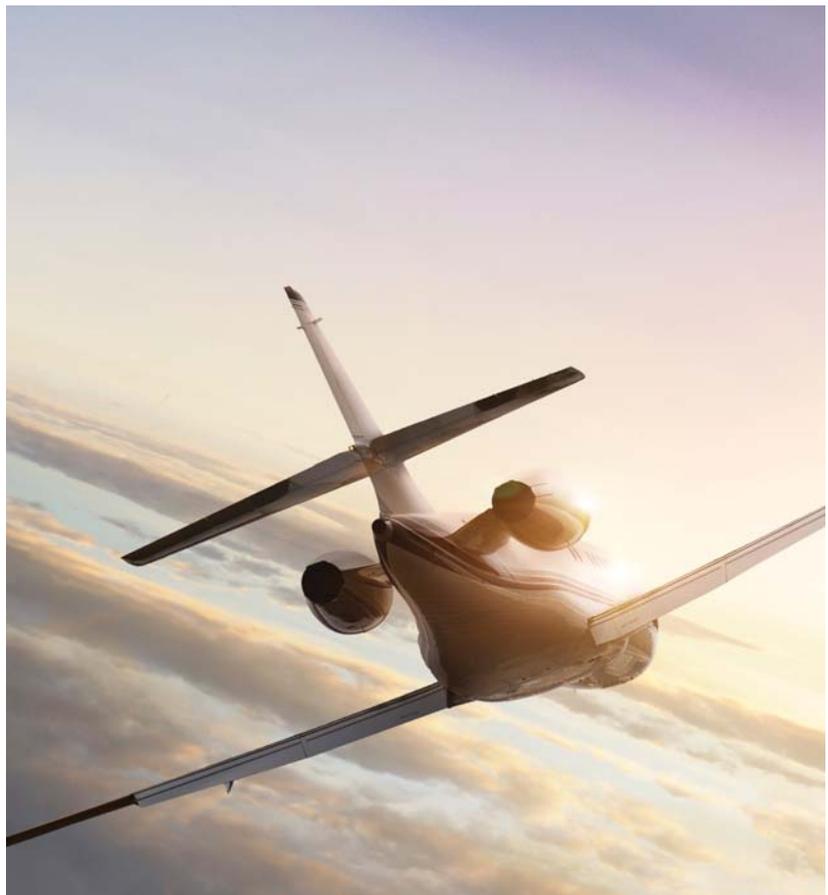
### Team Solutions

This reality provides another important opportunity for responsible brokers to stand shoulder to shoulder with their prospects and clients. There is no way that sales professionals supplant the technical side of our industry, but we do believe it is important to educate so that the prospect or client asks relevant questions. Avionic mandates are real, and aircraft will have to have these accomplished to fly globally, and within a few years to fly domestically.

Aside from the obvious issues about the necessity of upgrades comes the all-important question about how the value of the aircraft will be enhanced once it has been retrofitted with compliant avionics?

I have some good news! I believe that the needed modifications will in fact enhance value. Modifications should not be wasted dollars thrown at the aircraft, never to be recovered. Of course any installed equipment will be subject to annual depreciation, as is the situation with the whole aircraft. No one should expect to get 100% of the investment returned years later. But equipage should be considered an investment that enables the operators to fulfill important missions.

I believe aircraft will start to look like “Haves and



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Have-nots”. Those that have upgrades should sell faster than those that have not been retrofitted, and they should sell for more by a larger percentage of the investment than those that have not had the upgrades.

There is no getting around existing and forthcoming avionics mandates, but there is the added value of the investment in mandates hitting your bottom line. As a Board Member, owner or operator, you should ask questions.

Make those representatives of the aircraft you are considering be very specific about any modifications that have been done. And be sure the specification sheet used to acquire the aircraft is fully vetted by the pre-buy inspection company so that any needed modifications may be quoted accurately and without caveats. ■

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