

A Reflection Back Over 2001: The Foundation of 2002



I think we would all agree that 2001 was a very different year for many of us in aircraft sales. The winds of change were blowing even before we officially entered 2001. The stock market was weakening, the strength of many of the fast risers in technology was diminishing and the very nature of our sense of the future was being tested daily. In 2001, the sale of new and pre-owned turbine aircraft began to slide and prices began to tumble. No one seemed to be able to speak to the eventuality of the situation. We had just, what seemed like days before, been in the greatest growth period of our industry. And now this! For many of my industry associates this change was not only confusing but down right frightening. It looked as though nothing was going to stop this downward trend other than a major healing of our economy, which seemed to be nowhere in sight. Interest rates began to be adjusted downward, seemingly without effect, and the economy just kept its steady course downward. Our industry was in a real period of change.

One of the first signs of trouble was the ratio between supply and demand. It was tilting aggressively towards a Buyers Market. We had not experienced this twist in over 5 years. Our clients and prospects were asking us daily, "Should I sell? Where are things going?" We are still plagued with these types of questions with answers that are never black and white. Furthermore, no one is sure how long this phenomenon might last. But there are some great strategic opportunities to work within this period of change and uncertainty.

If we look at the recent past and try to build our strategy for this year, we must do so knowing from the inception (of the planning period) we do not have all the verticals and horizontals to plan with. We do have data that can, if used properly, guide us to better decisions with respect to operational use, buying and selling. What follows will be a short guide to each.

I have written many articles about the

fact that this period should be introspective with regards to how the aviation asset is currently being used. I get calls every day from aircraft owners and operators questioning the efficiencies in their operation. As I have stated before, corporate polices with respect to travel rules are having a major effect on internal demand and an even more direct focus on operational capacity and efficiencies. Two executives no longer being able to ride together can really create capacity nightmares for the flight department. Ideas like reviewing the mission against the equipment, looking at supplemental lift alternatives and examining a change in maintenance scheduling can provide greater capacity and thus provide improved flight department economics. This internal housekeeping is not something to be afraid of. Embrace it and watch how beneficial this exercise can be.

When a market switches from a Sellers Market to one that favors the Buyer with such dramatic speed; it has a tendency to leave people scratching their heads and wondering if this is really happening. This change is real and brought about by all the changes in the economy. More people are considering selling their aviation assets, to either drastically cut back on fleet size or close the department all together. It is no secret that inventories are at an all time high. This will give those buyers that are in fact expanding capacity or jumping into aviation for the first time an edge (in buying) that others who have been doing the same exercise for the past 5 years have not known or enjoyed. The risks of buying in this Buyers Market are great. As always, the use of a skilled aircraft sales professional is critical to a successful process. Sure there is a ton of inventory to choose from, and of course this brings prices down dramatically, but this all just increases the risk of buying a cheap plane cheap instead of buying a great plane cheap. Approach this process with eyes wide open and with a skilled team of professionals around you. This team should include an internal component - your chief pilot or flight department manager, and a few well - chosen external aids - the sales professional and the aviation legal professional.

Selling in this period can be extremely difficult. Often the debt on the asset is

greater than the asset's current worth. The emotional impact on all involved can be enormous. This process should not be tried alone. Gather the professional team, listen to all the market data you can and be an educated and aggressive seller. I wish I could say whether we are finally at the bottom, but I really cannot with certainty give an opinion. I can say that activity has picked up. I must also follow that statement by saying that today's buyers are not impulse buyers. They are aware of the conditions as well as the supply of inventory and they seem intent on making a great buy rather than one based on any other buying factor. They feel this way because they can. The market supports this emotion. They can buy the best at prices that have not been available to buyers in many, many years.

So for those of us that are in the business of buying and selling, I must say things seem to be picking up. With all the internal operational reviews that are taking place and all the sheer transactions that are occurring, we are very busy. Please do not mistake activity with a clean bill of health. We all have a long way to go to get back to just an even market, one that is balanced between the buyer and the seller. I can assure you, after 27 years of making this my profession, the amount of activity that is occurring is definitely the first step to health. This year should continue to be challenging to us all in this profession, yet I truly believe it can also begin to be rewarding again for most in every facet of aviation - the operator, the buyer and even the seller!

Please join us for an Aviation Leadership Roundtable on February 20th, 2002 at 2:00 EST. Go to www.jetsales.com, click on the *Aviation Leadership Roundtable* section and click "Enter Conference". It's free, and will last about 20 minutes. Download the software, RealPlayer(TM). It is available from our site, and takes about twenty minutes to download on a standard dial-up connection, I look forward to seeing you there.

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