

Building a Winning Team:

The Process of Buying New From the Factory



The last five years have brought about a strong resurgence of aircraft production. This has been led by the growth of the fractional aircraft phenomenon. Fractional providers have placed nearly half of all new aircraft

orders. The rest of the orders and deliveries have been to the private and corporate sectors. I might add that worldwide deliveries of new business jets have been increasing by an average of almost 20% per year for the past five years. Not only have Manufacturers been producing tried and true aircraft, they have introduced a record number of brand new models. These new models push technology limits resulting in substantial gains in range and safety enhancing features. Our current economic environment will have an effect on aircraft production, perhaps significantly. However, the intricacies of placing an order as well as seeing it through completion to delivery will still be a complex endeavor.

I am dedicating this month's article to those intricacies. I will explore the breadth and depth of the team that will need to be assembled in accomplishing this process successfully. I would like to start out by singing the praises of today's aircraft manufacturers. They are dedicated to building and delivering a safe, reliable product. Today's airframe and engine warranties are more comprehensive and longer in coverage than ever before. Manufacturers are working diligently to make sure parts and service centers are located in geographically correct places. Consequently, this article is not about a lack of customer care, it is about a need for customer knowledge and complete customer awareness. Traditionally the wait from order to delivery has been running 18-24 months. If it is a new production aircraft, the wait could be as long as 3 to 4 years. Thus, after putting so much thought and effort into the initial placement of an order, there is a tremendous gap of time while the Buyer waits for delivery.

Let's look at the team members, their contribution and the cost associated with a winning team. I believe those who have had experience in the past and incorporate

the ability to assemble the whole team are the best ones.

So often I hear the chairman say, "no big deal, we have lawyers and a flight department to handle the whole thing. After all, the manufacturer will guide us." Sounds like a great start to what could be not so great a finish. In the case of new production aircraft, many factors must be contracted from the initial draft. As the aircraft comes off of the drawing board and begins the production cycle, changes will occur. To what degree will you be able to tolerate these performance changes? What safeguards have you built into the contracts with regards to timetables? What time delays or performance changes are you willing to endure? Not all lawyers have had experience in dealing with aircraft manufacturers. The outcome to a successful contract is finding the right team player that has vast experience within these parameters. Understanding a manufacturer's offer to take your plane in on trade for a percentage of its current market value sounds simple enough. What if you had ordered your new delivery aircraft two years ago when things were booming to find the new aircraft has been delayed in **completion** for over a year? Now you must either trade in the existing aircraft to the factory for a fraction of what you thought it was worth or be forced to sell it now in a very depressed market. Have you built those economic safeguards into your contract? If not, this alone could cost you millions of dollars. Sales/use tax issues are considerable. Did the manufacturer fully discuss these implications as they relate to the completion and use of the aircraft?

Completion of a new aircraft has been an industry nightmare. Unexpected delays, FAA certification problems and overworked completion centers have plagued the manufacturers over the past few years. Your team must include skilled completion professionals. These people know and understand design and completion specs. They are trained to follow strategies for each stage of completion. They know how to anticipate delays well before the proposed delivery date. These hired guns actually live with the aircraft during the completion process. These team members are invaluable and I assure you, they will make a difference.

The aircraft sales professional can help

not only in the original choice of aircraft, but can also build a strategic plan to liquidate or trade the current aircraft for the new one. This process mixes tax, market and utilization considerations together to result in a company owning only one plane at a time, and getting the most consideration for the current plane while paying the best price for the new plane. Understanding manufacturers backlogs, past discounting policies as well as current desire to liquidate inventory makes this team player essential.

I do not want for even a moment to minimize the role of the flight department in this process. They are essential. They are in many cases the quarterbacks of the acquisition team. However, the flight department doesn't have the legal, technical or market knowledge to design the plays and carry the ball for the entire game. Remember, they are operating the current equipment along the current mission with all of the usual interruptions. You know the scenario, such as the aircraft breaking down, or regulations that change, to catering and limos that don't show up! The flight department has perhaps the toughest job of all. Making all those situations transparent so the principle thinks "what an easy job my flight department manager and chief pilot have", takes skill and dedication.

The opportunity to buy a new aircraft from the factory should be one that is fun, personally rewarding, and emotionally satisfying. Like all successful experiences, the team members you place around you will be the critical component. These people will ensure the enjoyment, satisfaction, and fulfillment of the project.

Please join us for an Aviation Leadership Roundtable on January, 16th 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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