

HEY, DO YOU HAVE A VLJ?



"We have a VLJ position, what do you think?" For the fourth time in as many weeks, at a dinner party or cocktail party, and in every case a couple, proud and I must say genuinely

excited about their investment, have asked me this question. There is a new phenomenon in aviation. The VLJ. In fact the first time I was asked this question, luckily for me I had just attended an NBAA/AMAC meeting and the subject was discussed in detail.

So what is the VLJ? It is the new category of jet aircraft being produced by as many as six players. It is the **Very Light Jet!** To those who are designing and building, to those who are caught up in the chatter, it is no less than a Wright Brothers moment. This article is about the phenomenon; the mini ground swell of a new category of aircraft. It is really interesting to me to see what a great number of people and market segments are touched by this type of introduction. Let's begin.

How did it start? Why did it start? What premise was its success based on? It seemed to have started with the announcement by a new plane company called Eclipse. Its CEO, Vern Raburn, a former Microsoft executive, had a vision of a low cost jet, first announced to be delivered for under \$1,000,000.00, with an aggressive production schedule of over 1,000 units per year. That is 3 times the amount of business jets produced from the total number of jets built and delivered in 2003. This plane, on every corner, ready to be hailed by a customer much as one would a taxi cab, would revolutionize the way we think about one way trip segments, there by changing forever the business model for charter and even fractional operations. So you see from the very beginning Vern Raburn was designing a phenomenon, not just an aircraft.

Let's jump ahead. As I mentioned there are as many as six entrants into

this VLJ category. A few years ago, Citation, legitimized the category by announcing the introduction of the Mustang. Now, at least in my opinion, the category had legs. The introduction made by Citation had a price over twice as much as the introduction price of the Eclipse. The other entrants coming into this phenomenon have been much closer to the Eclipse in price. Except Citation, all of these entrants, including the Eclipse, have inched their respective prices higher as production realities and engine providers have evolved.

So what is the big deal? I have never heard as much chatter, industry reporting, association vying as with this introduction. In fact since there has not been even one of these VLJ's delivered; the talk is all-conceptual.

Let's take a moment and look at the industry touch points. The buyers, who will they be? I have a vision problem on this one. I cannot see one of these jets on every corner waiting to be hailed. But what I do see is this category replacing the aging turbo-prop fleet. Do you remember a few years ago when airlines began replacing older turbo-props with newer efficient jets like the RJ(Regional Jet)? I think in reality, this VLJ jet, will (at the very least) be that solution to our general aviation aging turbo-prop fleet. This will not produce the massive sales that some of the VLJ manufacturers are counting on. However, this will provide a needed fleet replacement.

Next let's consider the pilots. I cannot even visualize where are the qualified pilots going to come from to handle the original dream of thousands of these VLJ's criss-crossing the country, while still having an adequate number fly what is currently out there.

Now let's consider the insurers. Insurance companies have already been tightening the noose around owner-flown high performance aircraft. It will be interesting in the final analysis to see the appetite for these risks from an insurance standpoint. Insurance companies really seem to shy away from single pilot, owner-flown high performance platforms. Lenders will of course be watching the insurance companies reactions as well.

Lenders will not finance uninsured risks. They will want to know that their assets are covered.

Now the up side may be a new generation of better-qualified owner/pilots. This could be a real great thing. This phenomenon is also catching the eye of the aviation trade associations; NBAA and AOPA, who will embrace these new owners and operators. Each one of the above mentioned associations are looking with great interest at this new VLJ category. They are developing good, important and relevant representation models to attract the owners and operators of this category.

Still, there are so many questions yet to be answered. Who will embrace the pre-owned market? Will it be the traditional turbo-prop sellers? Will the jet brokers focus on this new area? What is a current position worth? Can you trade or resell one? Since no product is really certified, it may be too early to answer all the remarketing questions. How about ultimate price? Why such disparity between the Eclipse pricing and the Citation Mustang? Does Vern Raburn, know something that Cessna does not, or visa versa?

With any new aircraft introduction, deposits are taken for positions. As the product makes its way down the path of development, the progress payments increase. When the product gets closer to certification and final delivery, the value of the position increases. I would say that many of the deposits taken for the Eclipse, were taken on the basis of the phenomenon rather than the need for an aircraft on the part of the position holder. That may mean some drop out.

Of course as the process for all of the providers moves along, the positions will probably ultimately be held by real users; excited about the category and looking forward to replacing the aging turbo-prop. We will continue to report on the ground swell and it's collateral excitement. Keep both eyes open and prepare for an interesting ride!

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