

Don't Just be a Pilot, Be an Aviation Asset Manager

by Jay Mesinger

Never in the last eight to ten years has the idea of Aviation Asset Management been so valuable to all involved in the aviation decision-making process. Nor has it been so critical in helping to answer the question, "Do we keep our aircraft or sell it?" For the last eight years the aviation asset has, for the most part, always been worth more than what was paid for it and was rarely identified as the place to cut costs. The idea of managing the asset effectively and efficiently has not been economy sensitive, but simply good management. Now difficult times have brought about a new phenomena - the idea of doing without the aviation asset altogether. In a way, this insecure period has brought about an opportunity for the Aviation Asset Manager to shine. An opportunity to not only keep the flight department intact, but to elevate themselves to a level above the fray. In this article I will take a quick snapshot of some of the areas in an aviation department that can be viewed, re-viewed and managed with an eye towards efficiency and effectiveness.



If you have not already gotten this call from your principle, chances are you will soon: "What is the aircraft worth? Is it most effectively fulfilling our mission? Are we in the right place with the right asset?" I hope this article will begin a thought process that will stimulate ideas geared towards preparing your department for that call. Be prepared with the facts and ideas which one day, perhaps sooner than later, could be the reason your company decides that selling is not the best answer, it is the wrong answer. Your chance to shine will be when you can show them that the real answer is a re-tooling or just a slight tweaking of the principles and mechanisms that are already in place in your department.

I would like to take this month's article and outline the areas we believe are critical components to aviation asset management. These are the areas that make up the 360-degree view of the flight department and its assets.

Legal: It begins here in the acquisition phase of the asset. Proper documentation of the transaction will lead to correct and customary expectations with respect to the transaction. The original offer, the contracts and tax and title work are critical to the future success and enjoyment of the asset. Operating agreements, 1031 tax free exchange plans and the use of special purpose corporations are all very important issues in the initial processes.

Tax planning: Sales/Use, Federal, property and depreciation are all critical components to the cost of the asset both from an acquisition standpoint as well as a go forward expense.

Maintenance: Tracking, which includes costing and scheduling as it's main factors; Sourcing, which includes time and resources as integral factors; Downtime, which puts the factors of cost and supplemental lift into perspective; Correct log management as well as log book entries will help sustain higher aircraft value on an ongoing basis. The proximity to the end of any airframe or engine warranty is vital to not only the value of the asset but also to the variable cost of operation.

Operations: This facet explores the question of in-house vs. contract or OEM maintenance. Do you have an in house flight department or do you have a management company that provides all operational services? This will create a varied set of valuation and cost considerations. Do you operate part 91 or 135? Does your asset continue to meet your mission? These are all questions that need to be continually asked and answered to be sure you are using the best management option.

Human Resources: This component deals with the human assets. Sourcing, training, and benefits are all critical parts of a well-managed flight department.

Physical Location/Domicile: This aspect of management will be both tax as well as cost based in its process of determination. Growth, noise restrictions, proximity to maintenance and fuel discounts are critical to making good decisions within this segment.

Financial: The actual valuation (of the aircraft) is considered in this area of the management strategy. Annual budgets, capital expenditures, reserves and asset financing are considered here.

Acquiring and selling assets: This section deals with predicting future expenditures including modifications needed for regulatory compliance as well as market conditions. This is much like an assessment of ones' stock portfolio and where the relationship with an aircraft sales professional really pays off.

On October 24th at 2:00 p.m. EST, during our monthly Aviation Leadership Roundtable, we will be talking live online about Aviation Asset Management. I think you will find this a particularly valuable session. To participate, simply go to www.jetsales.com, click into the Aviation Leadership Roundtable section and click "Enter Conference". It's free, and will last about 45 minutes. You will be able to exchange ideas live online. The only thing needed is a download of the software, RealPlayer(tm). It is available free from our site, and takes about twenty minutes to download on a standard dial-up connection, so try to accomplish that in plenty of time before the event. We look forward to seeing you there.

Jay Mesinger is the President of J. Mesinger Corporate Jet Sales. He is also the host of the Aviation Leadership Roundtable and Vice President of NARA (National Aircraft Resale Association).