



Right-Sizing:

The Right Reason or Knee-Jerk Reaction?

The term 'Right-Sizing' seems to be taking hold in many sectors of our economy, notes Jay Mesinger. It's rife in Business Aviation, too, but what are the right reasons, and what are the flawed reasons for right-sizing?



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Something suddenly seems 'too big' so municipalities, city and local governments work to fix the problem by 'right-sizing' it. Sometimes it feels as though they're trying to fit a square peg into a round hole – all in the name of creating budgetary, space or density solutions.

Right-sizing isn't a bad idea, of course, unless the solution hasn't been thought-out and the aim of right-sizing is merely to create the right optics, or to play around with a problem and call it a solution.

What does this have to do with our industry? At the beginning of 2015 I wrote in an article that we need to be careful what we wish for. We as a country wished for lower fuel prices, more energy independence and a stronger dollar. Lo-and-

behold! We got them all on the same day and the entire world shuttered! The fulfillment of those wishes has wreaked havoc on the major oil-producing countries, oil-producing companies, companies that provide ancillary goods and services to oil-producing countries, and companies in the US that export products to EU countries.

Just as we all thought that 2015 would continue to grow in global aviation activity it came to a halt in the emerging markets. Between the regulatory crackdown in China (based on anti-corruption laws and weakening economy) and the effect in the Middle East and Russia of the price of oil, we suddenly found our global industry coming home to its roots. North America is bearing the weight of the majority of aircraft activity. ➤

The reaction to this sudden shift...? Right Sizing! For our industry that means an evaluation of production numbers among the airplane manufacturers, which then knocks the next domino over on the OEM suppliers (including engine OEMs, avionics OEMs), and on, and on... Next, North American flight departments start having serious discussions about the size and mix of their fleets, which causes management to rethink their long-range needs versus back-to-basic domestic needs. Discussions result that involve canceling or postponing new aircraft orders as well as other important capital expenditures like modernizing existing fleets.

Thus we come to the crux of this article: the correct reasons for right-sizing and the more dangerous knee-jerk reactions.

Let me give you an example from living in Boulder, Colorado. Several months ago our City Council selected several major streets in town, deciding to right-size them to accommodate dedicated multiple lanes for bicycles sharing the streets with cars. It turned out they made knee-jerk plans based on what proved to be flawed, one-sided input. One day the city's residents woke to find what was once a two-lane street in each direction now had a wide bike path on both sides of the street, and one car lane in each direction... Business- and home-owners along the street were outraged. Traffic became congested (although the bicycles blew through).

This was the first of four or five major arteries in the city scheduled to be converted. The backlash was quick and fierce. It turned out the city was only looking at the petitions of the bikers. They immediately began to undo these lane changes and life returned to normal.

When it first decided to do this, the council applauded itself. The eventual back-down was an embarrassment to the council and a significant cost to the city for the re-painting of lanes.

This corrective action to highway lanes was much easier to fix than serious fleet changes in flight departments or manufacturing production changes from OEMs. Thus, right-sizing for the correct reason is important and critical to continue to meet the needs of the constituency. And good planning, foresight and budgeting around change is vital to the success of an outcome.

Making quick changes that are often more based around optics than the need for change (based on long-range planning) can never have a happy outcome. The OEMs need to carefully look at growth and constriction trends. Momentary hiccups



should be carefully analyzed to be sure that the changes that are being planned for are long-term rather than just blips.

Flight departments that are shedding aircraft and changing mix significantly may find themselves with an outcome of fleets that will not be sustainable if the winds shift again. It is too early to forecast the long-term effect - or frankly the long-term reliability - of the cost of oil or the strength of the dollar.

My fear is that what is meant to be right-sized will be wrong-sized and that we would be trying to put our collective foot into a shoe that's too small. ■

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