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Part 1 of a Series

Buying and selling a business aircraft, predominantly turbine-powered aircraft worth \$1 million or more, is a complex process. This series is intended to provide some guidance in making the choices that are best for you. In this first installment, we will begin by covering some basic concepts and then address the ins and outs of selling through a dealer.

There are three methods of selling an aircraft. You can:

- 1) Trade in or sell your current aircraft to an aircraft dealer
- 2) Ask an aircraft broker to sell your aircraft for you
- 3) Sell your aircraft yourself

Only the bravest, most patient and most experienced aircraft owners will attempt to sell an asset of this value and sales complexity themselves, so this series will focus on the dealer and broker options. The first thing to realize is that this industry is completely unregulated. There is no licensing requirement or accreditation program. Anyone who wants to be an aircraft dealer or broker can simply hang out a shingle and be open for business. This means "Caveat venditor." There is a large number of competent, honest, capable and highly professional aircraft dealers and brokers, including many that I count as personal friends. But not everyone fits this description, and there is little guidance to help find the good ones. It's up to you, although a later article in this series will offer some strategies.

The second thing to understand is that there is a fundamental difference in the way that dealers and brokers operate, and that difference may dictate your choice of sales methods. A dealer takes title to the aircraft and then resells it to another end-user, or occasionally to another dealer. A broker will handle the sales process, but the owner retains title and continues to incur the costs of ownership until the aircraft is sold.

Therefore, before you decide whether to go the dealer or the broker route, you need to ask yourself the following questions:

- 1) Are you planning to replace your aircraft and want no service interruption?
- 2) Are you reluctant to maintain the monthly cost of ownership (cost of funds/interest, insurance, hangar, maintenance and inspections) while waiting for your plane to sell?
- 3) Do you need the cash from the sale immediately?

If you have answered "yes" in all cases, you probably should opt for trading in or selling to a dealer. Whether you trade in or sell outright, the cost of ownership of the existing aircraft will stop immediately, and cash will be available right away. In the case of a trade-in, the trade-in price is usually applied against the purchase price of the replacement aircraft. In addition, buying your replacement aircraft through a dealer and trading in your existing one on the sale prevents any interruption in your business or pleasure flying.

Downside? As with any dealer arrangement, your net sales price will almost certainly be lower than other sales methods, particularly brokerage. That's because dealers are in the business of buying, selling and trading aircraft to make money. Like car dealers (or any reseller for that matter), they give you a trade-in value for your asset that will allow them to turn a profit when they resell it at a retail price. It's just the way it works.

Upside? Trade-in or direct sale offers the least amount of hassle and time commitment and, as said earlier, the best way to stop the costs of ownership. More importantly, the market risk is transferred to the dealer. The actual selling price of an aircraft, and the time it will remain on the market, are still quite uncertain in the current climate. By cutting all ties with your previous aircraft and knowing exactly how much money you have to spend, you will be able to move forward with the replacement aircraft. The dealer is then left to worry whether he can sell the aircraft at a profit, or whether holding costs and price uncertainty will make the deal a losing proposition.

Working with a dealer is also advantageous when a hard-to-sell aircraft is involved. The age and condition of the airframe and engines, the state of the paint and interior, the maintenance (or lack thereof) that has been performed, possible outdated avionics, and damage history can all cause complications. In the current market, "hard to sell" can be almost synonymous with "unsellable." In these cases, it may be wise to sell to an experienced dealer at a low price, knowing the dealer will use his experience and capital to take the risk that a major upgrade will pay off in a quicker sale at a price that will still provide him with a margin.

The biggest challenge then becomes deciding if the price offered on your aircraft is fair and acceptable. For that you may want help from a consultant or broker. Stay tuned for more information in forthcoming installments of this series.

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