



SEVEN MISTAKES WHEN BUYING AN AIRCRAFT

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Acquiring your own aircraft takes some thought and planning. If you know what you're doing and have a good team to help you, the process can go fairly smoothly. But, if you haven't bought a plane before or if you want to try and "wing it", you can be in for some exciting surprises. Here's a look at some of the biggest mistakes that can happen along the way.

SherpaReport talked to Alan Goldstein and Dave Weil two aviation industry advisors and consultants.

1. Do You Need Your Own Aircraft?

OK, this is the most obvious starting point, but people buy planes for a variety of reasons. Alan and Dave noted some of the reasons not to buy an aircraft include:

- "Every other CEO I know has one, so I need one too."
- "I know a broker who can get me a good deal."

The best place to start is an analysis of your future travel needs, and look at how your needs have changed over the past few years. "If you're flying several hundred hours a year commercially and you can afford private aircraft" then start to look, says Alan Goldstein. "If you value your time, desire better security, or are tired of chartering someone else's plane" then owning your aircraft is a good option adds Dave Weil.

2. Can You Afford An Aircraft?

The initial purchase cost is the first piece to consider, but there's also the ongoing operating and maintenance costs which are often overlooked or underestimated.

Some of the comments that Alan and Dave have heard, and then have to work hard to dispel:

- I will determine the operating costs after closing.
- My broker assured me the operating costs were low.
- The management company told me I could make a profit by chartering it out.

“Too often the focus is on the acquisition cost and the operating costs are not factored in until after the purchase” notes Alan. The initial acquisition cost can vary from a few hundred thousand dollars for a 30-year-old light jet, to \$70m+ for a new, long-range heavy jet.

To get a feel for some operating costs see these examples for a [Phenom 300](#), [Cessna CJ3](#), [Challenger 605](#), [Gulfstream G450](#) and [KingAir 350](#).

To put it very plainly “You cannot make a profit chartering out the aircraft” adds Dave Weil, and continues “It’s best to know all the costs of ownership before you buy.”

3. Are You Looking At The Right Sort Of Aircraft?

Again the best place to start is analyzing your travel needs, including how often you travel, how far you travel and who is traveling with you. This analysis will begin to define the sort of aircraft that would work for you.

Some reasons from Alan and Dave on how not to choose a plane:

- A consultant can get me a great deal on a {insert name of plane} e.g. G-III.
- My friend has a Challenger 600 and likes it.
- A broker has a Lear 35 in inventory and is willing to let it go at a fire-sale price.
- A long-range aircraft because I don’t like to stop.

“If you want the best outcome, analyze the principal's travel needs,” says Alan. “Your Aviation Consultant should prepare an analysis of the aircraft’s mission and flight profile” adds Dave and suggests to cover the following items:

- Where and how far (miles/hours) are your typical flights? Need appropriate range.
- What is the passenger load factor? Need an appropriate number of seats.
- What airports are most convenient for the buyer’s travel? Need appropriate landing performance.
- Do you want to charter the aircraft? Need Part 135 equipment compliance.

The answers to these questions help to determine the type, size and maybe model of aircraft that is warranted. So whether it’s a Jet, Turboprop, Piston, Helicopter; whether it should be a Large, Midsize, Light or Very Light Jet; whether it should be New or Pre-Owned?

As Alan advises “There are lots of cheap aircraft available. There’s a reason. Are you prepared to be the aircraft’s last owner?”

4. Not Having An (Aviation) Attorney Involved

Aviation is a very specialized area, with its unique nuances and characteristics, so a general attorney will not have the experience in this area. “You may have very competent professionals, but are they qualified in aviation,” asks Dave Weil. “Unless the transaction is very small, you should always retain a qualified aviation attorney,” advises Alan. And Dave adds “The use of an experienced broker/consultant can often help reduce the legal costs.”

Alan and Dave walked through the following areas where an attorney can help.

It's normal to have a Letter of Intent (LOI) for a purchase, although you can go straight to the acquisition agreement. A consultant can prepare the LOI but your lawyer should review it. The LOI should include:

- Identification of the parties (buyer & seller).
- Identification of the specific aircraft & related equipment coming with the aircraft.
- Includes purchase price and specifics concerning the deposit.
- Discusses demo/test/delivery flights - are they allowed & who pays for them.
- Pre-purchase inspection facility & scope outlined.
- Specifies as to who pays for which discrepancies.
- Defines the rights & obligations of the Buyer to accept/reject the aircraft.

Once you get to the Purchase Agreement (PA) it's important to have an aviation attorney involved at least at the final version if not before. The PA Includes deal points from the LOI plus the following:

- Representations & warranties of clear title.
- Responsible party for approval of and correction of discrepancies from pre-purchase inspection.
- Pre-closing conditions.
- Fuller details of aircraft & equipment.
- Default triggers & remedies.
- Tax details.
- Bills of Sale and Delivery Receipt.
- Governing law.
- Confidentiality clause.
- Import/Export details if applicable?

Your experienced aviation attorney can help with all these items in the PA.

5. Not Having Advisors

"All buyers should have at least an advisor unless the buyer is very experienced," says Alan. Dave recommends vetting by personal references from someone you trust and/or involvement with industry groups (eg NBAA, NATA, NARA). "In reality, you need a team in place to get the best result" Alan continues, these include:

- Lead Aviation Consultant/technical consultant/broker.
- Company aviation department manager/management company.
- FAA regulatory expert.
- Tax expert.
- Accounting/Finance/Treasury experts.
- Aviation Insurance Broker.

They add in a caveat that you need to be sure there are no conflicts of interest amongst your advisory group.

6. Not Getting An Inspection

If you're the buyer of a used aircraft you should always get a pre-purchase inspection. Alan notes that as the buyer you want to make sure:

- Inspection to take place at a reputable facility, independent of Seller influence (many times at an OEM facility).
- In-depth inspection, within a reasonable time frame.
- Buyer wants the right to reject the aircraft within a reasonable time frame after receiving the inspection report.
- Buyer usually pays for the inspection but if the opportunity arises Buyer may want to observe an already scheduled Seller paid major inspection (e.g. C or D Check).
- Buyer will want the inspection facility to repair the items rather than the Owner.
- Buyer wants adequate test flight(s).

Dave continues that as the seller you are concerned about:

- Seller wants to limit what is looked at by the inspection facility.
- Seller does not want to build a new airplane for the Buyer (may include in the PA that if over X dollars are required to remediate then aircraft will not be sold).
- Seller should have a representative at the inspection facility to review findings as they are uncovered in order to handle them currently. Airworthy items fixed by Seller.
- Inspection report should be issued to both Buyer and Seller simultaneously, no surprises.
- Return to service – inspection facility determines when the aircraft is again deemed airworthy.
- Seller will want to limit the number of “test or check flights” – wants to have the delivery flight (if there is one) be the “check flight

For a new aircraft the inspection is different than a pre-purchase inspection for a used aircraft, in particular notes Dave:

- Buyer should have Experts monitor the construction of the new aircraft as it is being manufactured, especially during the interior completion phase.
- Seller's representatives are reviewing that the aircraft is in compliance with the representations made and agreed to in the purchase agreement.
- Buyer's Inspectors looking for proper fit and finish, and that all contracted components are installed or included and new, and that the component manufacture dates are recent and consistent with the manufacture date of the aircraft (example avionics, life rafts, APU, etc.)

7. Delaying Post-Acquisition Items?

As you're purchasing the aircraft there are several items to consider and work on prior to the final purchase. Dave and Alan point out that some of the main things that can sometimes be overlooked, (but shouldn't be) are:

- How to finance the aircraft unless paying cash

- How to operate the aircraft – Flight department or management company
- Conforming the aircraft for part 135 charter use
- How to minimize or avoid sales tax

“Failing to plan is planning to fail,” says Alan. He always asks his clients:

- If self-operating, do you have the aviation staff/crew either currently on board or identified?
- Have you identified & contracted with a [management company that is right](#) for you?
- Do you have someone on staff who will manage or be the liaison to the management company?

Purchasing an aircraft is generally a major transaction, whether it’s for you or your company. Follow the advice above, and your transaction should go a lot smoother.

[Alan Goldstein](#) was on the management team of long-time NBAA member Citigroup Corporate Aviation. Alan has participated in the purchase or sale of approximately 60 turbine aircraft over the years (some of them twice).

Alan now provides consulting advice on fleet utilization, personal use and accounting/finance for aircraft operations. Alan is a Past Chairman and current member of the NBAA Tax Committee. (After this article was written, Alan joined FDS.)

***Dave Weil** is the founder and CEO of [Flight Dept Solutions](#), LLC (“FDS”). FDS is a business aviation consulting firm that provides customized solutions to its clients to make business jet ownership easier and more cost effective.*

For over 20 years Dave held senior executive positions with prominent business aviation companies, including 17 years at TAG Aviation USA and its predecessor. Dave is a past Chairman of the NBAA Tax Committee. Dave earned his CPA license while working for Ernst & Young and holds an MBA from UCLA.