pre-purchase inspection should take place. "In the old days, when there was more of a seller's market, the pre-purchase inspection would be done before the buyer committed an irrevocable, non-refundable deposit. It was done on the basis of a letter of intent, and once the aircraft had been inspected, the purchase agreement could be signed. "Now, however, the market has changed," he says. A letter of intent is signed, then within reasonable time the aircraft is reviewed, a test flight performed, and the lawyers are left to do the purchase agreement. Once all that has happened, the exact terms for managing the pre-purchase inspection and so on are drawn up, and then the inspection happens. Otherwise, as a seller, you are running the risk of putting the aircraft on the market where you open up the engines and invariably find a problem. Then if the buyer suddenly wants to withdraw, they walk away with no financial penalty and you are left with a bill that could run into hundreds of thousands of dollars. And no buyer." It is for this reason that Lunaviation, whether as buyer or seller, now insists that everything is detailed and in place before the aircraft goes in for its pre-purchase inspection. This way there can be no arguments afterwards.

**Downward pressure on prices**

**Business development director at Geneva, Switzerland-headquartered Global Jet Concept Yann Nado** knows that there are not enough buyers for all the aircraft available for sale and a few desperate sellers are accepting extremely low offers which tend to become the new standard. Manufacturers for the light and medium aircraft models that put pressure on the pre-owned market and as a result a good possible offer is in the market. Their buyer category acquire large cabin aircraft with comparable operating costs. "Buyers know that having the money today means having the power to bargain and get an excellent deal," he says. "Sellers on the other hand want to get the best possible price for their aircraft and this is where the jol of an aircraft pre-purchase inspection becomes challenging and interesting.

"We tried to trade in a few of our own aircraft and it was arduous" Simon Ebert, Air Hamburg

With more and more interested parties entering the aircraft sales market, how does an aircraft owner know the best way to proceed? Nado says good advice should cover sales, marketing, advertising, listing with new even operational and aircraft management detail, and points out that Global Jet Concept has teams over all such areas. Thus they are on the spot if there is a technical, legal or operational question from the buyer's team. 'Agreeing on a fair price is important," he says, "but what is also important is to ensure that the price is the sale in a short period of time and to reduce the discounts that the buyer will call for as a result of a long draw-out and pre-purchase inspection as much as possible.

He advises that having an exclusive mandate with a sales agent will certainly help. "In the age of Internet, offering the aircraft at different prices. "When we sign a new aircraft sale on our high end advertising in brokerage magazines and online, we create attractive brochures and organise professional photo shoots and 3D videos because we believe a multi-million euro asset should be presented in the best possible way." And backing up to el Nour's comments at the beginning, he adds: "The emotional part of the sale shouldn't be underestimated."

**The VAT minefield**

Also forming part of the purchase process are financial matters such as depreciation and insurance, and more basic concerns like inspection and valuation. Arguably one of the most complex considerations is the matter of tax," says Steve Cain, director - VAT at Isle of Man-based asset guardian Equiton Solutions. Value added tax (VAT) on goods and services can add significant costs to the overall purchase price.

Equetum is one of a number of importers that have achieved Authorised Economic Operator status, granted to those who demonstrate high standards in, and are actively involved in, customs operations. It enables a company to import without any requirement for bank guarantees or for the VAT to be physically paid. And since guarantees can be upwards of 18 per cent of an asset's value, that is a saving that could run into millions of dollars.

In summary, the supply of goods and services to aircraft and the acquisition (purchase, lease etc) of an aircraft are exempt of VAT provided the aircraft is used by airlines operating for reward and chiefly on international routes.

**Is the market turning?**

Steve Hartley, executive director of Dubai, UAE-headquartered Empire Aviation Group (EAG) sees signs that the market is on the turn. Whenever there are elections and major events in the US the market comes to a grinding halt, but EAG is experiencing a tremendous amount of activity there at the moment, so things are looking up. EAG’s Dubai office is seeing more customers through its doors. They are not necessarily UAE-based customers, but they are regional customers.

"It definitely remains a buyer's market for the light and medium business aviation," says Hartley. "For others, however, it is a seller's market and at the top it's just as strong. There are a lot of 7X/XRS available right now, we have just sold one ourselves, and there is price pressure on the 550 because of the new G650. The 450 and the 550 will become obsolete and won't be produced anymore and as for the 650, that is on the cusp. You can now buy a Global Express for less than eight million dollars, which is amazing." "One of the issues we have," he adds, "is prospective buyers sitting on the fence and waiting to buy." If prices have reached rock bottom then that practice must end, and Hartley doesn't envisage more price drops in the immediate future. And if the US economy is turning, which he feels it is, prices will either stabilise or increase, which will be good for the multi-million euro asset should be presented in the best possible way." And backing up to el Nour's comments at the beginning, he adds: "The emotional part of the sale shouldn't be underestimated."

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The curse of online searching

"The online world has made things more difficult," he continues. "People believe that they can go on to the internet, do a search for used aircraft, and then they become an instant expert in terms of what's available or where the market is priced." This false confidence and expertise is very far from the reality, where a 2000 model aircraft could cost far more than a 2002 model because it has lower flying hours for example, or it may be on corporate care. There are so many variables. "But of course, people don't look at that. They just see this lovely aircraft advertised on the internet for x amount of dollars." It has made things a little tougher to work with others.

Nowadays people are more cautious. Once upon a time it was possible to draw up a one-page agreement. Today there are lawyers and 30 page documents. "People make it much more difficult, they put a lot of money out of the process, which just drags on," says Hartley. "Time kills deals, and this fraternity has certainly mastered that art." And this is not going to change. "Aircraft sales and acquisitions is quite a tough industry to be in. "Having said that, at Empire Aviation Group we continue to sell a lot of aircraft and our management fleet continues to grow. "There is still a lot of negativity around the industry, it is still fantastic to be involved with business aviation." Customer relationships

Buying and selling today comes down very much to professionalism, and a reassurance level of comfort that people have with the organisation they are dealing with. EAG works with its clients to make sure their interests are protected at every step of the process was facilitated by ensuring proper appreciation of how, for example, maintenance costs make into profit, the business model was not working.

"The online world has made things more difficult" Steve Hartley, Empire Aviation Group

Nowadays the airways have opened up. Flying is so accessible and easy it can sometimes be more difficult to maintain a good reputation. The competition from low cost airlines means slots can be harder to come by and more expensive for the private jet companies.

New regulation has come in so that, whereas in the past an aircraft could have a couple of clocks and deals, today customers want ADS-B in/on board, GPS, ADS-B incorporated into the avionics, more modern avionics, all of that comes down to cost. CPDLC (complex programmable logic devices); wi-fi; and more today. It is not about cost, it is about not wanting to buy an aircraft with a engine programme. The game has changed and so people moved away from aircraft ownership and many of the aircraft that were produced are now in the hands of leasing companies. When a new aircraft is introduced, the old one is phased out and quickly loses value. And so, on the whole, buyers are more cautious, questioning themselves much better deals.

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