Purchasing A Private Aircraft - Checklist

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Author: Dan Giantsopoulos

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Business aviation plays a major role in the Canadian economy. In September, 2017, according to the Canadian Business Aviation Association, there were approximately 1,900 business aviation aircraft based in Canada. Businesses thinking about buying a plane to streamline their operations have much to consider. In the following article, Blaney McMurtry partner Dan Giantsopoulos sets out a checklist of items that should be taken into careful account.

The purchase of an aircraft is a major commitment that requires careful consideration. Before entering into any purchase transaction, many aspects of aircraft ownership must be considered.

Some of the benefits of owning a private aircraft include:

- Larger number of available airports.
- Closer access to your destination - avoiding the inconvenience of longer transfers.
- Travel routes unavailable to most commercial flights.
- Travel flexibility - decreased wait times and personalized departure hours.

Blaney McMurtry LLP offers the following checklist, which presents the issues relevant to purchasing an aircraft. The checklist refers to many considerations, including: pre-purchase inspections; replacement parts; maintenance; records and engine logs; insurance; etc.

1. Budget

Decide how much you are willing to spend. The purchase price of an aircraft and applicable taxes are obvious costs. You must also include operating costs per hour, maintenance costs, and the cost of replacement parts.

2. Cost-Sharing/Partnership

Provided that usage requirements are complementary and liability concerns can be addressed, an aircraft partnership could be considered to share the costs associated with buying a private aircraft.

3. Financing

If the purchase price is to be financed, compare the interest rates offered by different finance companies. Aircraft financing is not the same as financing a car. The main factor in financing the purchase of an aircraft is the amount being financed. Note that many finance companies will not finance older aircraft.

4. Pre-Qualify for Financing

Financing pre-approval offers flexibility and the ability to act quickly on good opportunities.

5. New vs. Used Aircraft

Despite lower purchase prices, used aircraft may not be such a great deal when considering aviation regulations.

New aircraft generally come with a lengthy warranty and most (but not all) expenses are covered under said warranty. Used aircraft with expired warranties force the buyer to incur costs to cover parts that fail through normal wear and tear.

Buying a used aircraft that has been modified may offer challenges when service is required.

6. Usage Profile

Understand your aircraft usage requirements such as annual flying hours, availability of airports, typical flight loading, average trip distance, and general flight conditions.

7. Aircraft Type

Larger aircraft are required for longer business trips, while a small aircraft will suffice for short-range trips. It is important to consider speed, weight, and range, as well as impact on price, landing requirements and potential routes.

8. Aircraft Hangar

Confirm location of primary hangar and maintenance bases for the aircraft.

9 Fuel Efficiency and Operating Costs

Consider variations in fuel efficiency and operating costs when comparing private aircraft.

10. Pilots

Ensure you can hire a qualified pilot for the desired aircraft. Pilot salaries depend on the aircraft type. Ensure that you can afford to crew the aircraft you propose to purchase.

11. Aviation Consultants and Brokers

Consult with experienced advisers to assist with your purchase of an aircraft. Experts knowledgeable in brokering, taxes, and technical subjects related to business aviation should be considered.

12. Legal Counsel

Tax planning and aviation regulatory issues should be considered when purchasing an aircraft.

You will need legal counsel familiar with aviation law, tax law, and insurance. Blaney McMurtry LLP can assist with legal issues relating to your purchase of an aircraft.

13. Structuring and Tax Planning

Tax planning and consultation with a tax expert is essential to minimize tax liabilities.

Blaney McMurtry LLP will work with tax experts to address applicable tax considerations.

14. Aviation Regulations and Authorities

Blaney McMurtry LLP can structure any aircraft purchase transaction to ensure compliance (including all necessary filings) with all applicable aviation regulations and authorities.

15. Insurance

An experienced agent will be knowledgeable about the coverage you may need and any minimum insurance requirements. Check the reputation of any insurance company you consult with.

Hull and aircraft liability insurance are the most costly types of insurance. They depend on the age, model, and value of the aircraft. Check rates before buying.

16. Insurance Certificate

Secure appropriate insurance certificate if the aircraft purchase is being financed.

17. Airworthiness Directives

Airworthiness Directives (ADs) are legally enforceable aviation regulations. Blaney McMurtry LLP will check the nature of the ADs, and then ensure that the aircraft logbooks comply with all applicable ADs.

18. Purchase Agreement

Blaney McMurtry LLP will assist in the preparation of an aircraft purchase agreement detailing the terms and conditions of the aircraft purchase transaction.

19. Due Diligence

Following execution of the aircraft purchase agreement, Blaney McMurtry LLP can assist with the due diligence of the aircraft, the aircraft seller, etc.

As part of the due diligence process, Blaney McMurtry LLP will ensure service and maintenance logs and other records are complete and detailed, and confirm damage history.

20. Aircraft Records

Review the aircraft's maintenance reports, to confirm if any components may need replacement.

Any aircraft with a damage history should be closely examined to ensure repairs were in accordance with the applicable aviation regulations and prescribed practices.

Engine logbooks, equipment list, weight and balance data, and aircraft flight manual/owner's handbook must be current and in good standing.

Confirm the flight hours and life expectancy of the engine.

Confirm if corrosion is present and if a paint job is needed. Also, inspect the condition of the flight control surfaces, as well as landing gear.

21. Pre-Purchase Inspection

Complete a pre-purchase mechanical inspection of the aircraft. Inspect all components that are regularly replaced. Confirm that regular engine overhauls have taken place.

The aircraft should be inspected for damaged or worn parts, corrosion, body damage; etc.

22. Aircraft Interior

The interior of an aircraft should be checked for proper fit and condition.

Examine the aircraft's avionics, air conditioning, and de-icing gear. Check new paint jobs carefully for evidence of corrosion under the surface.

23. Aircraft Maintenance and Replacement Parts

Older, modified, or out-of-production aircraft may cause problems when requiring spare parts. Additionally, mechanics may be unwilling to perform maintenance on old or modified aircraft. Ensure that the engines of the aircraft are enrolled with a maintenance program.

24. Test Flight

Ensure you fly the aircraft before you buy. During the test flight, check all equipment and systems to ensure they are in good working order.

25. Clear Title

Blaney McMurtry LLP can assist with verifying the seller's authority to sell the aircraft. Blaney McMurtry LLP will initiate an aircraft title search (including reviewing historic bill of sale) to establish chain of title and to confirm if any title issues exist.

26. Title Insurance

Purchase title insurance to protect against unexpected claims against the aircraft's title.

27. Ownership Considerations

Ownership includes many potential aircraft registration issues, particularly relating to foreign ownership.

28. Miscellaneous Registrations

Determine whether you will need to register your aircraft. Some jurisdictions have registration requirements and impose a fee based on aircraft type, age, value or weight.

29. Certificate of Airworthiness/Certificate of Registration

Blaney McMurtry LLP will help secure the aircraft's certificate of airworthiness and certificate of registration.

30. Citizenship/Residency Requirements

Purchasers of aircraft sometimes use a voting or ownership trust arrangement to address citizenship/residency requirements.

31. Aircraft Management and Operators

Confirm if the aircraft will be managed by a management company, which will select the crew and pilots, oversee maintenance, deal with accounting (fuel, insurance, parts, crew pay, etc.), coordinate flights, and store the aircraft. Blaney McMurtry LLP can help negotiate/draft the management operating agreement.

32. Final Inspection

Inspect the aircraft prior to taking possession to ensure there has been no damage since the pre-purchase inspection and test flight. At this time, Blaney McMurtry LLP will ensure all conditions (per the aircraft purchase agreement) have been fulfilled.

33. Bill of Sale/Closing Documents

Blaney McMurtry LLP will ensure that the seller has executed and delivered a Bill of Sale (and subsequently filed with aviation authorities) on the closing date, together with an aircraft delivery receipt, and other relevant closing documents (leases, management/operating agreements, financing and loan agreements, escrow agreements, etc.).

34. Closing

Blaney McMurtry LLP will ensure that the necessary documents are transferred with the aircraft at the time of sale.

Prospective purchasers of private aircraft will be challenged to make informed, comprehensive pricing or buying decisions without a thorough understanding of the numerous components discussed in this checklist. Meticulous attention to the various details outlined in this checklist will ensure interested parties consider the information necessary to purchase an aircraft. The process of purchasing the most suitable aircraft can sometimes be overwhelming. Prospective purchasers are encouraged to retain the services of Blaney McMurtry LLP, who will ensure that the aircraft purchase transaction is managed diligently and efficiently from start to finish.

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Dan Giantsopoulos is a partner in Blaney McMurtry's corporate/commercial and international trade and business practice groups. His practice focuses on advising a wide variety of businesses corporations, partnerships or joint ventures and their owners/operators in corporate and commercial law, and domestic tax planning. He is frequently called upon to negotiate Share/Asset Purchase and Sales Agreements, structure tax-driven corporate reorganizations, and to advise on shareholder disputes. He advises and represents a growing number of

American public and private companies with respect to establishing and growing their Canadian business operations.

Dan can be reached at (416) 593-2984 and dgiantsopoulos@blaney.com.

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