



Pre-buy Do's and Don'ts

If you're buying an aircraft, here's how to structure the pre-buy

OVER THE PAST SIX MONTHS, my company's pre-buy activity has gone right through the roof. We've been responding to 30 to 50 pre-buy requests a month, perhaps four times as many as we were seeing a year ago.

I'm not quite sure what this means for the health of general aviation. On one hand I'm seeing a lot of owners selling their airplanes, but on the other hand I'm seeing a lot of other folks buying them. And on one hand I'm seeing owners selling their airplanes because they can't afford to keep them and aren't using them enough, but on the other hand I'm seeing owners selling their airplanes because they're upgrading from singles to twins or from pistons to turbines. Occasionally, the sellers turn out to be banks trying to get rid of repossessed planes.

It's a confusing picture, but overall my impression is optimistic.

As manager of pre-buys, my company always represents prospective buyers in these transactions. (Often the sellers are represented by brokers, although sometimes they're do-it-yourselfers.) Having managed more than 500 pre-buys in the past few years we've pretty much got it down to a science. We've also seen pretty much everything that can possibly go wrong and every mistake that can be made.

WHO AND WHERE

When a prospective buyer finds an airplane he likes and asks us to manage a pre-buy on it, the first challenge is to choose a service center or mechanic to examine the aircraft. This is one of the most important decisions that will determine if the pre-buy has a good outcome. There are three important rules we follow in making this choice.

First, the pre-buy examination* must be done by a shop or mechanic with extensive expertise with the specific aircraft make and model involved. Since the mechanic will have only a limited amount of time to examine the aircraft, it's essential that he know exactly where to look for problems—i.e., what this model's most common and serious problems are. This kind of knowledge only comes with extensive experience with the particular make and model. Ideally, the pre-buy should be done at a factory-authorized service center or type-specific specialty shop.

Second, the shop or mechanic chosen to perform the pre-buy must have no prior history maintaining the aircraft and no prior relationship with the seller or (if applicable) the seller's broker. We need the mechanic who performs the pre-buy to approach the aircraft with an appropriately skeptical attitude about its condition and airworthiness. A mechanic who has been maintaining the aircraft is naturally going to be predisposed to assume that the aircraft is in good and airworthy condition (particularly if he signed off the last annual inspection). A mechanic who has a relationship with the seller is bound to be reluctant to say anything that might spoil the deal for his customer or friend. (If the seller or broker recommends a shop or mechanic for the pre-buy, that's probably one you want to avoid using.)

Third, the pre-buy needs to be done within a reasonable distance of where the aircraft is located. Few sellers will be comfortable having their aircraft flown halfway across the country for a pre-buy, and few buyers want to run up a big fuel bill ferrying an aircraft a long distance when they're not yet sure they will be buying it. The guideline we use is that the pre-buy shop should be within one hour's flying time from the aircraft's home base.

*We use the term "pre-buy examination" for what many call a "pre-purchase inspection." We try to avoid using the term "inspection" in connection with a pre-buy, because "inspection" has a specific regulatory meaning under the FARs. A pre-buy should never be structured as an inspection.

PURPOSE AND OBJECTIVES

Once the pre-buy shop has been chosen, the next order of business is providing specific guidance to the mechanic on the desired scope and detail of the examination—in other words, how much time the mechanic should spend examining the aircraft, and on what specific areas and items the examination should focus.

There is nothing in the FARs or maintenance manual that dictates what a pre-buy examination should cover. Each individual buyer has to decide how long the pre-buy examination should take, how deep it should go, and how much it should cost. Some buyers are content with a quick “look-see” that takes only a few hours; others want a full-blown annual inspection. We’ve got some pretty strong opinions about this.

One frequently hears it said that “the best pre-buy is an annual inspection.” I

think this advice is completely wrong-headed. In my view, a pre-buy has objectives that are dramatically different from an annual inspection, and should be organized, performed, and documented in a very different fashion.

The purpose of an annual inspection (defined by FAR §43.15) is to identify *all* airworthiness discrepancies, whether trivial discrepancies that cost \$50 to correct or major catastrophes that cost \$50,000 to resolve. Once started, an annual inspection must continue to completion of all inspection checklist items, and always results in a logbook entry (per FAR §43.11) that declares the aircraft airworthy or unairworthy.

In contrast, the purpose of a pre-buy is to provide the prospective buyer the information he needs to (1) decide whether to purchase the aircraft or walk away from the deal, and (2) identify any costly

WHAT DOES IT COST?

While there are a lot of variables, we generally figure a pre-buy examination should require roughly:

- Six hours of labor for a simple fixed-gear piston single like a Cessna 172
- Eight hours of labor for a retractable or advanced-technology normally aspirated piston single like a Bonanza or Cirrus
- 10 hours of labor for a turbocharged piston single
- 16 hours of labor for a normally aspirated piston twin
- 20 hours of labor for a turbocharged or pressurized piston twin

As a general rule, that’s about one-third to one-half the cost of an annual inspection.

If a lifter pull and cam inspection is warranted, add about five hours per engine.

Also, add the cost of the test flight and ferry flights.



This is a Lycoming owner's worst nightmare, but it's impossible to see during a pre-buy exam (short of pulling cylinders), so we have to manage the risk in other ways.

KEY TAKEAWAYS

- Have the pre-buy exam performed by a shop or mechanic that has lots of experience with the particular make and model.
- Make sure the pre-buy shop or mechanic is not one that has maintained the aircraft before, and has no prior relationship with the seller or his broker. This usually means that the aircraft will have to be flown to the pre-buy shop, which should be within a reasonable distance of the aircraft's home base (typically one hour's flying time or less). If the seller won't agree to this, walk away.
- The pre-buy and any ferrying expenses should be paid for solely by the buyer. Never agree to have the buyer and seller split the costs of the pre-buy, because in that case the seller will want to control the location and scope of the pre-buy.
- Never structure a pre-buy as an "inspection"—particularly not as an "annual inspection."
- Start with the expensive firewall-forward area plus the log-book review. Don't waste time and money looking for nitpicky stuff that won't affect the purchase decision or price negotiations. Focus strictly on finding big, expensive showstoppers.
- If you find a big showstopper, halt the pre-buy exam and contact the seller. If the seller agrees to pay to resolve the showstopper, then resume the exam; if not, cut your losses and walk away.
- Once you've bought the aircraft, it sometimes makes sense to convert the pre-buy into an annual inspection. **EAA**

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