



# THE M&TS JOURNAL

The Journal of the International Machinery  
& Technical Specialties Committee of the American Society of Appraisers

Volume 34, Issue 3, 4th Quarter 2018



\$35.00 ASA Members, MTS Discipline  
\$50.00 ASA Members, Non-MTS Discipline  
\$65.00 ASA Non-Members

# Contents

<b>MTS Journal Editorial</b>	<b>4</b>
Brad Hartsburg, ASA, CPPA, CSA	
<b>Chairman's Corner</b>	<b>6</b>
Samuel Shapiro, ASA	
<b>Governor's Bulletin</b>	<b>7</b>
John Mathe, ASA and David Crick, ASA Governors	
<b>Opportunity to Learn Marine Appraising Aboard the Queen Mary</b>	<b>9</b>
Norm Laskay, ASA Emeritus	
<b>The Challenges of Marine Asset Appraisal</b>	<b>11</b>
Norm Laskay, ASA Emeritus	
<b>Ten Years After a Crash, the International Shipping Industry Still Looking for Balance</b>	<b>13</b>
Basil M. Karatzas, ASA	
<b>The Difference Between Diminution of Value and Cost to Cure</b>	<b>17</b>
Anthony Kioussis - President, Asset Insight	
<b>Valuation of Desktops and Laptops</b>	<b>20</b>
Peter Daley, ASA	
<b>2018 International Appraisers Conference Overview</b>	<b>24</b>
William M. Engel, ASA	
<b>Machinery &amp; Equipment Valuation in Saudi Arabia</b>	<b>26</b>
Alhanouf Alabood	
<b>A Discussion of the New ASA Definiton of "Damaged Aircraft Diminution in Value"</b>	<b>28</b>
Keith M. Bransky, ASA, ARM-MTS	
<b>Biases — Always Present — Rarely Acknowledged</b>	<b>30</b>
John Mathe, ASA	
<b>Archived Articles Available for Your Library</b>	<b>33</b>
Brad Hartsburg, ASA, CPPA, CSA	
<b>The MTS Journal Subscription Form</b>	<b>55</b>
American Society of Appraisers	

## A Discussion of the New ASA Definition for “Damaged Aircraft Diminution in Value”

Keith M. Bransky, ASA, ARM-MTS



In 2018 a new definition for “Diminution in Value as it applies to damaged aircraft” was submitted to and approved by the ASA MTS Committee. This standard definition is now posted on the ASA website for easy reference or to cut & paste into the definitions section of an appraisal report.

### The New Definition is:

*“Diminution in Value (as it applies to damaged aircraft): A form of economic obsolescence, external to the aircraft, that can be measured by the difference in value between an aircraft with damage history and an identical undamaged aircraft. It is a measure of lost value related to market perception, not airworthiness.”*

While most of this definition will appear straightforward to the experienced aircraft appraiser, the new definition also classifies this diminution depreciation as a form of “economic obsolescence.” This article will explain the reasoning for this classification.

### Depreciation Overview and Considerations

Aircraft damage Diminution in Value is a form of depreciation. The three causes of appraisal depreciation are:

1. Physical deterioration
2. Functional obsolescence
3. Economic obsolescence (sometimes referred to as external obsolescence).

#### Which one of the three depreciation causes apply to a damaged aircraft (post-repair)? Consider the following:

1. Physical deterioration from wear & tear is not affected by aircraft damage and is not a negative consideration in the appraisal diminution analysis. Conversely, certain post-repair damaged aircraft may actually see a net increase in value if they re-enter service with certain damaged high-value time/life-limited components having been replaced with new or overhauled. For example, a net increase in value often occurs with helicopters after a properly repaired damage event when high-value components such as rotor blades, heads, and transmissions are replaced or overhauled. There are some interesting reasons for this, but none are germane to this discussion and will be addressed in a future article.
2. A damaged aircraft in a post-repair state does not suffer functional obsolescence. An aircraft with damage that has been properly repaired in an acceptable manner is equally functional as the same aircraft type fresh off the assembly line. Certificated aircraft (including repaired certificated aircraft) must conform to their original TCDS (Type Certificate Data Sheet) from the day they receive their original Airworthiness Certificate until the day they are retired from service.
3. Aircraft Diminution in Value resulting from damage history is a psychological diminution (i.e. market perception). This is a factor external to the aircraft.
4. Aircraft Diminution in Value resulting from damage history varies with the strength of the market for that particular type of aircraft on the effective date of the appraisal. This is a factor external to the aircraft.

### Economic Obsolescence vs External Obsolescence

An online search of the term economic obsolescence reveals that it is often used interchangeably with the term external obsolescence by other organizations, jurisdictions, and source documents. However, the ASA does not have a recognized standard definition for external obsolescence. Therefore, based on the considerations listed above, the MTS Committee agreed that the best description for this depreciation is: a form of economic obsolescence, external to the aircraft.

## Curing the Depreciation

No discussion of depreciation would be complete without addressing how it can be cured. In this case, just like the saying that “time heals all wounds,” time usually cures aircraft Diminution in Value resulting from damage history. With the passage of time, a damage repair becomes “seasoned” and the damage’s effect on value is usually mitigated. The longer that time elapses after a damage repair, the less impact it may have on value. Eventually with the passage of enough time, certain types of damage history may no longer have a material effect on value.

## Conclusion

I hope this discussion has given the reader an understanding of the reasoning behind this particular aspect of the new definition as well as the knowledge to confidently explain it to a client or in the courtroom.

## About the Author

Keith M. Bransky, ASA, ARM-MTS has been performing aircraft appraisals for the past 26 years. He is president of Jet Appraisal Corporation based in Atlanta, Georgia ([www.AircraftAppraisal.com](http://www.AircraftAppraisal.com)), specializing in the appraisal of business jets, turboprops, and helicopters. Keith is a FAA licensed aircraft mechanic and inspector (A&P IA) and an Airline Transport Pilot (ATP) with over 25,000 flight hours. He can be reached by phone at (404) 921-3767 or email at [keith@aircraftappraisal.com](mailto:keith@aircraftappraisal.com).

The MTS Journal is a publication of the International Machinery & Technical Specialties Committee of the American Society of Appraisers, the only multi-discipline testing/accrediting appraisal society in America. The MTS Journal is written both for the appraisers who value equipment on a regular basis, and for those others who may have a professional interest in the subject. These include attorneys, bankers, business brokers, estate planners, used equipment dealers, real property and business valuation appraisers. The MTS Committee is a nonprofit organization with a goal to standardize and educate all in our profession. Letters from readers are encouraged. Letters will be printed without editing, in the sequence received, subject only to space limitations.

## Subscriptions & Renewals

ASA MTS Members & Candidates \$35.00 | ASA Members, Non-MTS Discipline \$50.00

MTS Journal subscriptions are delivered electronically, so please be certain that ASA headquarters has your current and correct email address in their records.

Send all editorial inquiries to:

### The MTS Journal

c/o Brad Hartsburg, ASA (Editor)

Fortress Machinery Appraisals and Consulting Inc.

Calgary, Alberta, Canada

[brad@fortressappraisals.ca](mailto:brad@fortressappraisals.ca)

Send all Subscription inquiries to:

### The MTS Journal

c/o William Engel, ASA (Treasurer)

Strategic Asset Management

96 Wood Acres Drive, East Amherst, NY 14051

[wmengel@strategic-asset.com](mailto:wmengel@strategic-asset.com)

## Display Ads

Accepted for publication **in one issue only** and should reach the Treasurer not later than the 15th of the month prior to publication. Rates: Full page - \$200. One half page - \$125. One quarter page - \$75.

Advertising must be sent in PDF format and sized in the proper proportion based upon an 8½ x 11 format. Advertising will be accepted or rejected based upon editorial approval. Advertising should be submitted at least one month prior to publication to the editor at the address above.

## Professional Services Advertising

To raise additional funds for the MTS Committee's educational efforts, we offer both fee appraisers and companies an opportunity to advertise their services in this journal. For the reasonable sum of \$50.00 we will run your business card for one year. Please send your check, made payable to the American Society of Appraisers, in the amount of \$50.00 (US FUNDS) and either 2 clean business cards along with your check to the Treasurer, William Engel, ASA, at the address on the subscription form (below) or a PDF of the business card to [wmengel@strategic-asset.com](mailto:wmengel@strategic-asset.com).

## Indices

Indices for many years' MTS Journal and Machinery & Equipment / Technical Valuation Journal articles are available. Please contact the editor for copies of these indices.



## Subscription Form



THE MTS JOURNAL

Checks should be made payable to the American Society of Appraisers

### The MTS Journal

c/o William Engel, ASA (Treasurer)

Strategic Asset Management

96 Wood Acres Drive

East Amherst, NY 14051

[wmengel@strategic-asset.com](mailto:wmengel@strategic-asset.com)