

**Remarks by Jeffrey Baum
President, Wisconsin Aviation, Inc.**

**Joint Legislative Council's Special Committee on
Wisconsin's Transportation Network Infrastructure**

October 20, 2004

Thank you for inviting me to speak. I really did not know about this until Monday when Dan was able to get in contact with me, so I had precious little time to prepare. However, speaking about aviation and airports is near and dear to me, so I shouldn't be at a loss for words.

My name is Jeff Baum and my primary job is president of Wisconsin Aviation, Inc. Wisconsin Aviation is an FBO, the services provider at the Watertown, Dodge County, and Dane County Regional Airports. As such, we provide fuel, storage, flight instruction, aircraft rental, aircraft maintenance, avionics services (communication and navigation radio installation and service), interior refurbishment, air-taxi (charter) services, aircraft management, aircraft sales, and, in the case of the Dodge County and Watertown Airports, serve as airport managers. It's quite a variety of activities, and in 23 years, our little company grew from 3 to over 150 employees. I am also an airline-transport-rated pilot with flight instructor certificates, and I am an FAA-designated check airman for our air-charter operations. All of that plus 50 cents usually gets me a cup of coffee!

So often when talking about aviation and airports, people think airlines. While a dominant segment of aviation and extremely important to our economy and lifestyle, any planning decisions that overlook General Aviation would be short-sighted.

General Aviation includes everything except the military and the airlines. General aviation includes business and corporate aviation, personal and recreational aviation, flight instruction, on-demand air charter, aerial application, air ambulance, and a host of other aeronautical activity. It's big business but, more importantly, it means business.

When people think of private aircraft, they usually think of little planes, like two-seat Piper Cubs or maybe your uncle's four-seat Cessna 172. There are lots of those, but the airport needs for an aircraft like that is minimal and, truthfully, so is its economic impact. However, far and

away, the fastest growing segment of General Aviation is business and corporate aviation. These aircraft are mainly twin-engine turboprops and business jets. Many of them are jointly, or as it's called, fractionally owned. They carry sales teams, technicians, families, parts, and certainly "movers and shakers." They are expensive assets, ranging in value from a half a million to \$40 million or more. They can cost thousands of dollars per hour to operate. It's big business and it's serious business, and maybe we should discuss its potential in Wisconsin.

A recent state study showed that 85% of new or expanded manufacturing firms were located within 15 miles of a jet-capable airport. Why? Well certainly one answer is time. Time is money, whether we are talking about critical parts, inventory or, most importantly, people's time. Productive time is efficient time, and efficient time is a competitive advantage. Think about this: John Deere pilots file their flight plans for 22 minutes to go from their home in Moline to their Horicon plant located 3 miles from the Dodge County Airport. That's less than it takes to drive across Milwaukee! It means that any of our Wisconsin cities and towns can be great, accessible business sites if they are located near a suitable airport.

There are about 144 public-use airports in Wisconsin. About 40 are capable of handling jets. Only 8 are served by the airlines! This means we have enormous potential to develop the remaining two-thirds of the airports in Wisconsin into business magnets. What a great marketing package: Wisconsin's fabled quality of life, an intelligent and skilled workforce, available sites, and easy accessibility from anywhere in the world!

What is required to be a "jet-capable" airport? First and foremost, a minimum of 5,000 feet of runway. Many corporate flight departments won't use less than this, and some insurance policies forbid it. Good instrument approaches that guide aircraft to the airport during inclement weather is a must. Good runway lighting and large ramps are very desirable. Good airport operators that can take care of any ground requirements is the icing on the cake. While this may seem like a tall order, you're State Bureau of Aeronautics understands all this quite well and is fully capable of producing. All you would need to do is add money!

Currently, there are more than 5,000 aircraft that call Wisconsin home base. But our airports are not only for our based aircraft but also for tens of thousands of out-of-state and out-of-country aircraft that bring business people, tourists, family members, and lots of dollars into

Wisconsin each year. This is established fact—just look at the economic contribution of the EAA AirVenture Convention in Oshkosh as an example.

Let's touch on another topic that needs to be considered when contemplating Wisconsin's aviation infrastructure: the state of the airline industry. While the airlines will never totally go away, the threat of terrorism, the hassle and delays of the security programs, and the effects of billions of dollars in losses in the last four years hardly adds up to rosy future growth for the airlines. On trips under 500 miles, studies have shown that the average door to door speed of airline travel is now close to that of auto travel! When speed or time counts, general aviation will have a clear advantage. How will this affect general aviation usage? Let's explore several different ways.

First, the number of general aviation aircraft are growing, although total numbers are probably only growing at a rate of about 1-2% per year. Aircraft retirement, the cost of new aircraft, and the state of the economy are limiting growth. The largest growth, however, is in the higher end: the turboprops and jets that business uses. The number of business aircraft in America has grown more than 60% in the last decade. The value of turbine aircraft purchases by Wisconsin business has grown from \$25 million in 1994 to \$159 million in 2000—a significant change. More and more companies will explore ownership.

Secondly, let's talk about shared ownership. Aircraft are not inexpensive, so the market responded with something called "fractional ownership." A number of national companies have sprung up allowing companies to buy fractions (as low as 1/16 of an aircraft) and share them with other owners in their program. The result has been nothing short of spectacular! The number of fractional shares grew from just 3 in 1986 to 1,000 by 1997 and to over 7,000 today, just 7 years later. Shared ownership means these planes fly a lot more, on average three times more than individually owned aircraft. So a jet that we used to see in Wisconsin once a month, may now visit the state several times per week. Many businesses are exploring some form of shared ownership, whether through one of the large national firms, local shared arrangements, partnerships, or other creative arrangements. I think this trend will continue. In fact, the latest development is buying hours off a fractional. Companies can buy a specific number of flight hours for a set price from companies that buy fractions of aircraft off the national firms. One

reseller of jet time, Marquis Jets, claims over 400 customers. Delta Airlines is even offering this service with business jets!

This explosion of turbine business aircraft use has placed a strain on the state's non-airline airports. Cities and counties with smaller or less sophisticated airports stand to lose out on economic development opportunities.

As fast as the fractionals have grown, they estimate they have only captured 25% of the number of likely prospects for their product. If true, and I believe it might be, the number of business aircraft using Wisconsin's smaller airports could double or triple in the next decade. Significant money will have to be spent in some locations on lengthening and widening runways, building taxiways and aprons, nav aids, and buildings. Enhanced facilities at these airports will certainly pay dividends in terms of new business brought in, safety, and productivity.

Finally, I think business aviation is becoming much more accepted. Once considered a luxury or a perk, it is now being thought of no differently than telecommunications or computers as productivity tools. Recent front-page stories in the *Wall Street Journal* and many other publications are indicative of an industry that is becoming accepted and mainstream.

So looking into my crystal ball, I expect to see slower growth than before in the airline sector and more economic upheavals with the airlines, including more bankruptcies. Business aviation will grow and become a larger factor. Economic development, in some areas, may hinge much more heavily on airport development. Finally, we will have to closely monitor our ever-changing world to know where to put our transportation investments.

You folks have accepted the challenge of being leaders in your state. Farsighted, fact-based airport development today can do much to enhance your state's economy in the future. Thanks for the job you're doing...and thanks for listening.

WISCONSIN AVIATION
WATERTOWN
Watertown Municipal
Airport
920.261.4567

WISCONSIN AVIATION
MADISON
Dane County
Regional Airport
608.268.5000



WISCONSIN AVIATION
DODGE COUNTY
Dodge County Airport
920.386.2402

WISCONSIN AVIATION
OSHKOSH
Wittman Regional Airport
920.235.8371