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WISCONSIN AVIATION TRADES ASSOCIATION

By Car, or By Plane.... Increased Fuel Prices Are Here To Stay

by Jeff Baum, President



Jeff Baum

Photo by AirVue / Don Winkler

I suppose I could gloss over the recent increases in fuel prices and tell you what you want to hear, that fuel prices will be dropping to

record lows in the months ahead. But we both know that's probably not very realistic, and the price for a gallon of gas, whether at the corner gas station or at the airport, will remain high. Yes, the era of cheap fuel is over.

Our country has known that this crisis was coming since 1972, and as a nation, we have done virtually nothing to prevent it.

The media asks, "what's President Bush going to do about it?" The answer is rising fuel prices are beyond Bush's control. What we need is a united effort in this country, and worldwide, to search for alternate forms of fuel, to develop technology, which will increase mileage, and conserve where we can conserve.

The price of gas is going up, but the price "margin" for many fixed base operators remains the same, and therefore, their percentage of markup has actually decreased. So operators are making nearly the same profit as they did before, but with the added cost of having to pre-buy more expensive product for their storage tanks, which increases their insurance costs. I think most fixed base operators are sensitive to their customers and want to keep flying affordable, so they are not likely to price gouge.

Some operators see "self-service" as the way to lower fuel costs. This may or may not be economical or practical.

First, self-service fueling systems require a significant investment in equipment, and unless adequate fuel is pumped, they may not be cost-effective for operators.

Second, there will always be more

gallons pumped by line personnel than there will be by self-service systems because operators of larger aircraft are more likely to demand full service, and larger aircraft use more fuel.

Third, location has a lot to do with where self-service fueling systems are cost-effective and useful. If there is a full-service operator on the field, they will probably have the personnel on hand to fuel aircraft, and therefore, this will be more cost-effective than to have both line personnel and self-service systems. Airports without operators, such as in many rural areas of the country, may find that self-service fueling systems are not only a good investment, but provide 24/7 convenience for pilots.

Fourth, as a fixed base operator, I see fueling aircraft as an opportunity for our business to serve the customer, by eliminating one of the inconveniences of flying, saving our customers time and energy to enjoy the trip, conduct business, rest, and plan their next flight. In addition, most professional pilots and business men and women dressed in business attire, do not want to pump their own gas, regardless of possible savings.

Whether full-service or self-service, the price of a gallon of gas might not be less. It all depends on "volume" and "overhead."

So far, there hasn't been as much reaction by the aviation community to this rise in fuel prices as in the past. There doesn't seem to be as much "shock" in people. One customer even told me recently that we would be paying \$4.00 a gallon for car gas, so suggested that I get used to it!

As for the long-range impact on the industry, I believe that the person that needs to own a particular type of

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Wisconsin Aviation Trades Ass'n
N46W23355 Lindsay Rd.
Pewaukee, WI 53072

President – **Jeff Baum**
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Send News Items To:
"WATA Difference"
P.O. Box 199

Oregon, WI 53575-0199
PH: (608) 835-7063
FAX: (608) 835-3323

Email: weiman@mailbag.com
Website: www.wataonline.org

aircraft for business or personal travel, will still own that aircraft, because anything less will not meet his/her needs. Recreational pilots, too, will buy the aircraft they want within their means, whether individually, as a partnership, or through fractional ownership. Others will continue to either rent aircraft or belong to flying clubs. But flying will continue to be competitive with other forms of transportation.

All forms of transportation will become more expensive – not just aviation. If anything, flying direct to a destination is more “fuel efficient” than driving up and down and around hills and in stop-and-go traffic, thanks in large part to GPS technology. Yes, unless you are flying your family in your own Boeing 707, you can be proud that you are a pilot and practicing good conservation. Properly maintaining one’s aircraft and following proper operating procedures will also help conserve fuel.

We need to work to get Air Traffic Control (ATC) to make a stronger effort to help pilots conserve fuel by keeping turbine-powered aircraft at altitude for as long as possible where they will get their best mileage. We also need ATC to allow aircraft to fly direct routes as much as possible and get them on the ground without unnecessary delays. While such procedures may not make controllers’ lives any easier, it is what needs to be done. And for owners of aircraft that are not GPS equipped, the rise in fuel prices might be the wakeup call they needed.

If there’s anything that bothers me more about the increase in fuel prices, it is our “government policies.” The recent change in federal fuel tax collection added 2.4 cents per gallon, and this is just flat wrong! It’s another government money grab, and the proposal to offer the consumer a \$100 rebate is just a political pacifier. If people want to drop the price of fuel, that’s a perfect place to start.

EDITOR’S NOTE: Jeff Baum is president of Wisconsin Aviation, Inc. with operations in

Madison, Watertown and Juneau, Wis. In addition to being president of the Wisconsin Aviation Trades Association (WATA), he is active in the National Air Transportation Association (NATA), Wisconsin Business Aviation Association (WBAA), and the “20 Group” – an organization made up of some of the largest fixed base operators in the country who meet three times a year to share ideas to help their businesses and general aviation as a whole. □

Supreme Court Rules In Favor of Basler Over Minimum Markup Law

OSHKOSH, WIS. – After three years and considerable expense in legal defense bills, the Wisconsin Supreme Court ruled in favor of Basler Flight Service, a division of Basler Turbo Conversions, LLC, in a case filed by Orion Flight Services, Inc. which alleged that Basler had violated Wisconsin minimum markup provisions in pricing its aviation fuel below cost. Both fixed base operations are located at Wittman Regional Airport in Oshkosh, Wis., and were engaged in a “price war” in 2002 and early 2003, where the price of aviation fuel

at Wittman dropped from \$2.59 to a low of \$1.599 per gallon.

At issue was whether aviation fuel constituted “motor vehicle fuel” under the Wisconsin Unfair Sales Act, subjecting aviation fuel to the Act’s minimum markup provision for motor vehicle fuel.

Upon review, the Wisconsin Supreme Court concluded that “motor vehicle fuel” does not include aviation, that the minimum markup provisions in Chapter 100 of the Wisconsin Statutes do not apply to aviation fuel, and that Orion cannot rely on Wis. Stat. 100.30 for a private cause of action against Basler. (Wis. Stat. 100.30 prohibits merchants from selling products below cost, including fixed base operators.)

From 1957 to 2002, Basler had been the principal provider of aviation fuel for Wittman Regional Airport, with the exception of brief appearances by several other fuel retailers in the 1980s and 1990s, until May 29, 2002, when Orion Flight Services, Inc., also began selling fuel. Orion provides full-service fuel sales, while Basler offers both full-service and self-service fuel sales. □

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