

Proponent Testimony – House Bill 292

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Chairman Baker, Vice Chairman Terhar and Ranking Member Driehaus thank you for the opportunity to testify today on HB 292 that will create a Joint House and Senate Aerospace and Technology Study Committee.

My name is Tony Bailey and I am the President of Spirit Aeronautics based here in Columbus. I am the former CEO of Comux Aviation, a global leader in aircraft services including completions, maintenance, avionics, interiors, and refurbishments. The reason this is significant is for the past 27 years I have been trying to move to Ohio to be closer to family but there were no opportunities in Business Aviation within the state. Only recently was I able to make the move with the hopes of being able to make our own opportunity at Spirit.

Strange as it may sound, Ohio is not even on the list of the most business aviation friendly states yet the largest aviation charter company in the world (Netjets) is based here. In fact, other large aviation charter companies are based right here in Ohio (Executive Jet Management, Flight Options). While that may be impressive, it is not when you consider those companies do not buy and sell aircraft in Ohio nor do they get regular maintenance or refurbishments in Ohio. The reasoning is quite simple: the tax burden on aircraft sales in Ohio and the lack of governmental support, and understanding, for aircraft Completion and

Maintenance & Repair Organization (MRO) business creates a roadblock to gaining those missed opportunities.

How significant are those opportunities? Last year Comlux Aviation in Indianapolis performed aircraft completions on four Boeing and Airbus narrow body aircraft. The valuation of the work performed on each aircraft was approximately \$26 million dollars for a total of \$104 million injected in to the local economy. All four aircraft came from outside of the United States and kept nearly 400 people employed. The dollars lost on the completion of Boeing and Airbus wide body aircraft is even more staggering. L-3 Completions, Associated Air Center and Gore design, all based in Texas, completed six wide body aircraft last year valued at \$108 million each in conjunction with nearly twelve narrow body aircraft. Not including the international competitors, that is over \$1 billion dollars spent annually outside of Ohio on aircraft that originate outside of the United States nearly 90% of the time. That same billion dollars means employment for over 2000 skilled professionals, artisans, engineers and craftsmen.

When it comes to MRO's, Ohio currently has only one minor MRO for business aviation and the reasoning almost absurd. Most aircraft transactions (sales) happen outside of Ohio because of the tax penalty imposed on the sale. Ironically, a normal aircraft sale results in thousands if not millions of dollars in refurbishments and upgrades as aircraft buyers want to maximize their aircraft down-time. All of that revenue is lost as aircraft fly over, or worse, fly out of Ohio to complete a transaction at the same time. Ohio is, unfortunately, a "fly-over" instead of a "fly-to" state. Combine that with a lack of state support to build new MRO's and it is easy to realize Ohio is jumping over dimes to get nickels. An average Aircraft Manufacturer approved MRO

employs over 400 people and annually contributes roughly \$100 million dollars to the local economy.

Other states have recognized the value of business aviation and have taken dramatic measures to boost the aviation economy in those states. Indiana recently passed legislation that eases the tax burden on aircraft transaction and excise tax on fuel. Arguing that Nevada's aviation industry is losing business to neighboring states, Nevada lawmakers recently approved a bill that reduces taxes on a variety of aviation companies, including manufacturers, retailers, aircraft owners and operators, and FBOs. Washington, Pennsylvania, Maine, and Massachusetts all recently passed legislation to boost the aviation economy in their states. These states join the growing list of aviation friendly states including Arizona, California, Florida, Idaho, Kansas, Minnesota, Nebraska, New Jersey, Oklahoma, Tennessee and Wisconsin.

Bombardier Aerospace released its 2013-2032 Market Forecast and roughly 9,490 business aircraft will be delivered to clients within a 300 mile radius of Columbus, Ohio over the next 20 years. That does not include the 275 Cessna Citation aircraft included in the largest business aircraft purchase in history by NetJets worth over \$9.6 billion dollars. How many of those airplanes will fly over or out of Ohio for the sale, on-going heavy maintenance and refurbishment? If history continues along this path; all of them.

If you want to know why HB 292 needs your support, consider this: Ohio is the birthplace of aviation but not the leader in aviation development. In a Hi Velocity article published August 15, 2013, Dr. Dale Carlson, the general manager for technology strategy at GE in Cincinnati stated: "There are people in other states and other countries who want what we have. People

out there are offering great incentives to take your research and development as well as your physical assets elsewhere". How difficult is it for them to take what we have if we are so far behind that we don't even fully understand what we are losing? That is why HB 292 is important.

Chairman Baker and members of the Committee, thank you for the opportunity to present the need for this bill and the significance it has on our state. I personally believe Ohio has the right to be the world aviation epicenter. In fact, I bet my career on it. I believe in Ohio and I am confident HB 292 will ensure the Ohio aviation industry receives the voice it deserves. I can answer any questions you may have.

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