

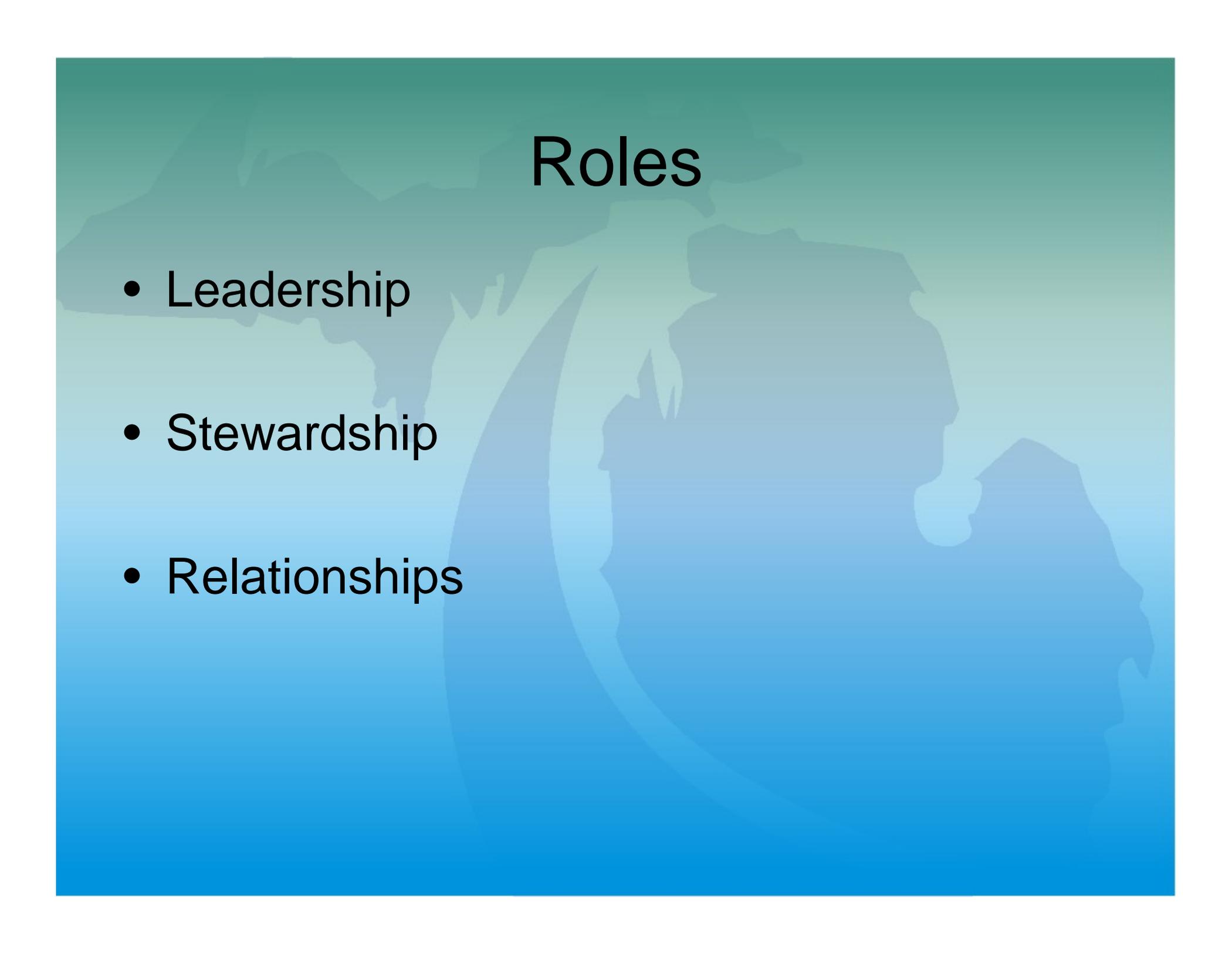
Michigan Aeronautics Commission

DIRECTOR'S REPORT

May 15, 2013

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Roles

The background features a light blue to teal gradient. A large, semi-transparent globe is centered, with several dark blue silhouettes of people in various poses overlaid on it, suggesting a global or multi-cultural context.

- Leadership
- Stewardship
- Relationships

Goals

- Education
 - “Hands On”
- Culture of Excellence
- Poised to Succeed

“When I was nine, my mother took me to an airfield. I watched aircraft taking off from a short distance and got even closer, **trying to jump and touch a wing**. It was a very strong emotion.”

- Andrey Kalinin

“My father owned and operated Cape Central Airways in Cape Girardeau, Missouri. We flew everywhere **and I was always allowed to handle the controls**...Growing up on the airport...we had a maintenance shop where I helped dope wings, overhaul engines and perform maintenance...I worked every weekend on the line or in the office selling fuel, renting aircraft, handling charters, booking crop-spraying, renting cars, ordering catering and maintenance.”

- David Seesing

“My father flew for fun, so **as a kid I spent a lot of time at the airport**, and its summer fly-in/pancake breakfast was the centre of my year.”

– Elliot Seguin

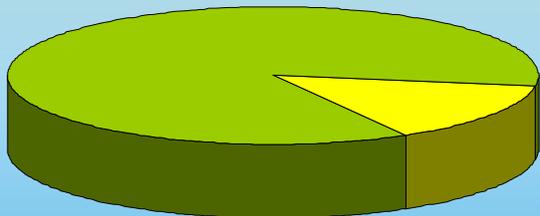
Opportunities

- NextGen
- Cargo
- Maintenance
- Equipment
- Security
- Terminals



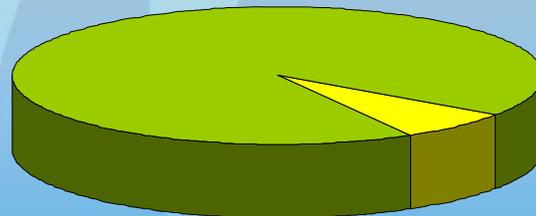
Aviation Fuel Tax Per Gallon

1929



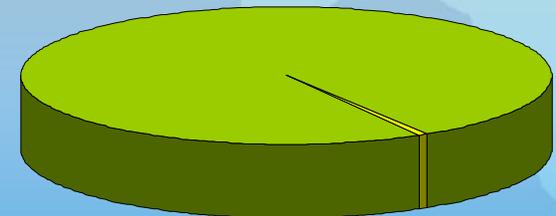
Total Price: 21¢ per gallon
Tax Rate: 3¢ per gallon
Tax: 14% of cost per gallon

1968



Total Price: 40¢ per gallon
Tax Rate: 3¢ per gallon
Tax: 7.5% of cost per gallon

2007



Total Price: \$4.50 per gallon
Tax Rate: 3¢ per gallon
Tax: .7% of cost per gallon

Fuel Excise Tax

Jet Fuel

- Current - Cents per gallon formula
- 270,000,000 annual gallons
 - 100,000,000 gallons @ 3 ¢ = \$3,000,000
 - 170,000,000 gallons @ 1.5¢ = \$2,550,000
- = **\$5,550,000**
- Proposed - % of wholesale price formula
- 270,000,000 annual gallons
 - x \$3.00 = \$810,000,000
 - x 4%
- = **\$32,400,000**

Gallons Estimated -- Subject to Change

Fuel Excise Taxes

AvGas

- Current - Cents per gallon formula
- 1,500,000 annual gallons
- x 3¢
- = **\$45,000**
- Proposed - % of wholesale price formula
- 1,500,000 annual gallons
- x \$4.50 = \$6,750,000
- x 4%
- = **\$270,000**

Gallons Estimated -- Subject to Change

Sales Tax Jet Fuel

- Sales on Retail Price
- 270,000,000 annual gallons
 - 100 Million Gallons estimated @ \$5.50 = \$550M
 - 170 Million Gallons estimated @ \$3.50 = \$595M
- = \$1,145,000,000
- x 6% (sales tax)
- = **\$68,700,000**

Gallons Estimated -- Subject to Change

Sales Tax AvGas

- Sales at Retail Price
- 1,500,000 annual gallons
- x \$5.50 per gallon
- = \$8,250,000
- x 6% (sales tax)
- = \$495,000

Gallons Estimated -- Subject to Change

Cost per Gallon Jet A

- Current cost per gallon \$3.20
 - \$3.00
 - x 6% = 18¢
 - + .03 = 3¢ less 1.5¢ adjusted = 2¢
- Proposed cost per gallon \$3.12
 - \$3.00
 - x 4% = 12¢
- Annual Cost per Gallon Savings =
 \$24,000,000
 - 8¢ x 300,000,000

Cost per Gallon AvGas

- Current cost per gallon \$5.86
 - \$5.50
 - x 6% = 33¢
 - + .03 = 3¢
- Proposed cost per gallon \$5.72
 - \$5.50
 - x 4% = 22¢
- Annual Cost per Gallon Savings =
\$210,000
 - 14¢ x 1,500,000

Summary

- Increased Revenue
 - Jet A \$32M less \$6Million Net \$26 Million
 - AvGas \$270K less \$45K Net \$225 Thousand
- Sales Tax Impact
 - Jet A (\$68)M
 - AvGas (\$495)K
 - HB 4677 \$55M
- Annual Economic Benefit \$20 Billion
- Economic growth incentivized by reduced tax burden?
- Other??

Aviation Investment in Michigan (AIM)

- **Good = \$10 Million** to maintain current investments
 - *system continues to decline*
- **Better = \$20 Million** includes investments that could be added like a meaningful air service program
 - *system remains at present condition*
- **Best = \$30 Million** additional investments that could be added to support major projects plus allow prudent reserve and accelerated debt payments
 - *system improves*

Vision

- 10,000 registered aircraft by 2020
- \$1,000,000,000 Invested by 2020
- Aviation “Curriculum” standard
- System Condition Improves
- Aviation is Pure Michigan
- Our journey has just begun!

Let's Get it Done

What will we leave the next generation?

This?

or

This?



THANK YOU

QUESTIONS?

MDOT wants to deliver outstanding customer service for Michigan's citizens. Please take a minute to tell us how we are doing.

Go to www.michigan.gov/mdot and click on

'How is MDOT Doing? Customer Satisfaction Survey.'

Your opinion is very important to us!

“Aviation is proof that, given the will, we have the capacity to achieve the impossible.”

Eddie Rickenbacker