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DuPage/South Edition

INSIDE

Family business

The suburbs are home to countless family businesses. Our new feature focuses this week on the Lenzini family, which has branched out into several companies, including MBL Recycling in Palatine.

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AABE winners

For 21 years, the Daily Herald Business Ledger has recognized companies that have helped shape a dynamic suburban business community. This year, 17 recipients earned honors in the Annual Awards for Business Excellence.

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Energy



Is an alternative energy supplier right for your business? Dramatic changes in the natural gas and electricity industries has opened the door to new competition.

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Local airport executives hope to see profitability start to climb

By JOHN T. SLANIA
Contributing Writer

The turbulence encountered by regional airports in the Chicago area has striking similarities to the once soaring ascent and the more recent breathtaking tailspin of the nation's economy.

For much of the past decade, activity was brisk, as corporate jets

and recreational airplanes flocked to small airports across the suburbs.

Then oil prices began rising in late 2007, causing aircraft fuel costs to climb. When fuel prices reached their peak in July 2008, with oil selling for \$147 a barrel, recreational pilots and corporate fliers began to pull back on their flight plans.

By late 2008, the recession

smacked the airline industry like a violent wind shear. Individuals and businesses alike put their Beechcrafts, Cessnas and Gulfstreams up for sale, or allowed them to lapse into foreclosure. Suddenly, suburban airports saw their two main sources of revenue head into a nosedive: vacancies rose for hangar and ground leases, while fuel sales plummeted.

See AIRPORTS on PAGE 4



The DuPage Airport Authority's David Bird, left, executive director, and Daniel Goodwin, chairman.

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Daily Herald BUSINESS EDGE

The Business e-Newsletter for Suburban Chicago

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Airports: Corporate flights feature convenience

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"The skies seemed to be the limit in the early 2000s. Then fuel prices rose and the recession hit. It was a one-two punch for airports," said Joseph P. Schwieterman, a professor of transportation and urban planning at DePaul University.

Like other segments of the economy, the airline industry appears to be making a slow climb back to profitability. And local airports — which the industry refers to as general aviation airports — are encouraged by signs of a modest increase in business.

Chicago Executive Airport, jointly owned by Prospect Heights and Wheeling, has seen annual operations (takeoffs and landings) inch back toward pre-recession levels. The airport had almost 92,000 operations in 2010 compared to 85,000 in 2009 and 97,000 in 2008.

Similarly, DuPage Airport in West Chicago handled almost 90,000 operations in 2010 compared to 88,000 in 2009 and close to 98,000 in 2008.

"We're starting to see things come back, but we're cautious," said Dennis Rouleau, manager of Chicago Executive Airport. "We're crossing our fingers and crossing our toes."



DANIEL WHITE/dwhite@dailyherald.com
David Bird, left, executive director for the DuPage Airport Authority, and Daniel Goodwin, chairman of the DuPage Airport Authority.

But with upheaval in the Middle East and Africa, and oil prices approaching 2½-year highs, airport operators are nervous that sales could sputter just when they were starting to pump more fuel.

Consider Chicago Executive Airport, where fuel sales were returning to levels reached two years ago. The airport pumped 4.8 million gallons of fuel in 2010, an increase over the 4.4 million sold in 2009 and approaching the 5.1 million pumped in 2008. At DuPage Airport, close to 2.5 million gallons were sold annually in both 2010 and 2009, after 3 million gallons were pumped in 2008.

Working in favor of regional airports is the increased time it's taking for passengers to board a commercial jet at O'Hare International Airport or Midway Airport, where heightened security and crowded runways add to travel times.

"If you're traveling out of one of the major airports, it's recommended that you arrive two hours before your flight. If you charter a jet at our airport, you can be on the plane in 10 minutes," said Daniel Goodwin, chairman of the DuPage Airport Authority, which operates the airport in West Chicago.

Also noteworthy is that regional airports across the suburbs independently report that despite the difficulties of the recession, they've been able to eke out a profit each year, albeit a small one.

"It's been difficult, but I continue to look for positive, single-digit numbers," said Duncan C. Henderson, executive director of Waukegan Regional Airport.

Most regional airports in the suburbs also have an advantage in that a majority of their business comes from corporate clients. Providing a base for corporate jets is not only a higher-margin business than single-engine recreational planes, it also is steadier.

"When the economy is bad, people still need to fly in and out on business," said Rouleau, of Chicago Executive Airport.

Regional airports make more money leasing hangar space to corporate jets compared to smaller recreational airplanes. At Chicago Executive Airport, for example, the typical corporate jet hangar space costs \$9,500 per month compared with \$430 a month for a recreational aircraft.

Corporate jets also use more fuel, which is the second major source of revenue for regional airports. Finally, corporate clients also tend to use more ancillary services offered by a regional airport, such as aircraft repair and maintenance, ground transportation, in-flight catering and concierge services.

"The corporate client can get fuel, catering, rent a car, get a limo or taxi. It's a high level of services, but without the inconvenience of getting in and out of a large airport," Rouleau said.

And the area's regional airports are located far enough apart that they generally don't compete for the same corporate clients.

"Corporate fliers choose us because they've typically got business meetings in the western suburbs, or their companies are headquartered here. We're not competing for the same clients as the other regional airports," said David Bird,



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Dennis G. Rouleau, airport manager at the Chicago Executive Airport in Wheeling.

executive director of DuPage Airport.

Continued improvement in the nation's economy is helping boost the morale of local airport operators. When they see numbers like the unemployment rate dropping to 8.8 percent and companies doing more hiring, they reason it will only lead to more corporate travel.

"Corporate flights are not discretionary. These companies have to continue to do business," said Henderson at Waukegan Regional Airport.

Airport operators also see promise in the growth of fractional aircraft ownership, a sort of time-share system for corporate jets. A company can purchase a share of a jet fleet and be guaranteed a certain number of flying hours each year. Companies such as NetJets and Flexjet guarantee time-share clients use of a jet with as little as four hours notice.

No regional airport operator shares the same optimism for recreational aircraft activity. The use of light aircraft for personal use plummeted with the recession and high fuel prices are viewed as a deterrent to new or returning pilots.

"When the economy went bad, recreational flights were the first thing people cut out," said Jim Tahaney, co-owner of Campbell Airport in Grayslake, where 90 percent of the flights are recreational.

"Before the recession, we were busy," Tahaney said. "Now we have empty hangars and tie downs. I don't see any real increase with the economy the way it is, and the fuel prices don't help."

Improvements take flight despite recession

BY JOHN T. SLANIA
Contributing Writer

Even though the recession has trimmed their wings a bit, the area's regional airports are still investing money in improvements in anticipation of better times.

DuPage Airport recently embarked on a \$6.5 million project to improve two of its four runways. The airport's longest runway, which stretches 7,500 feet, is being resurfaced and widened from 100 to 150 feet. The runway is already the second longest in Illinois, and when completed, could handle 737 or 757 commercial aircraft.

"There are no plans for commercial aircraft here, but it's a matter of pride that we have a runway second in length only to O'Hare, and longer than Midway," said David Bird, executive director of DuPage Airport.

"Even during a tough economy, you have to continue to make improvements to stay competitive."

Dennis Rouleau,
Chicago Executive
Airport manager

A second runway is being lengthened from 5,100 to 6,400 feet to provide the airport with greater landing and takeoff flexibility. The entire project is expected to be completed by the end of 2012.

DuPage Airport management notes that the improvements come even as it's worked to reduce its property tax levy from \$18 million to \$6 million and has paid off all of its debt, which totaled \$27 million.

"We've accomplished this by running the airport as a business, not as a government agency," said Daniel Goodwin, who took over as chairman of the DuPage Airport Authority in 2003 and worked to halt the practice of using the airport as a dumping ground for political patronage workers.

At Chicago Executive Airport, meanwhile, crews demolished four World War II-era hangars in late 2010 and replaced them with new hangars. The old Quonset hangars were deteriorating and had "exceeded their useful life," said Dennis Rouleau, manager of the airport owned jointly by Prospect Heights and Wheeling.

The airport spent \$2.6 million to replace the hangars, which was less than expected. Rouleau attributes

that to the ability to get lower bids from contractors eager for work during the recession.

The hangars were completed earlier this year, and the 48 spots for planes filled up quickly. There is now a waiting list for openings. Better yet, the airport was able to raise its monthly hangar rent from \$225 to

\$430 per plane.

The airport also is seeking federal funds to install a \$12 million bumper system to prevent planes from overshooting the runway. The airport expects to find out this summer whether the Federal Aviation Administration will pay for the project.

"Even during a tough economy,

you have to continue to make improvements to stay competitive," Rouleau said.

Finally, Lake in the Hills Airport in McHenry County is slated to receive \$23 million in improvements, including doubling the width of its sole runway to 100 feet, building a new taxiway and aircraft apron.



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