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BUSINESS MONDAY

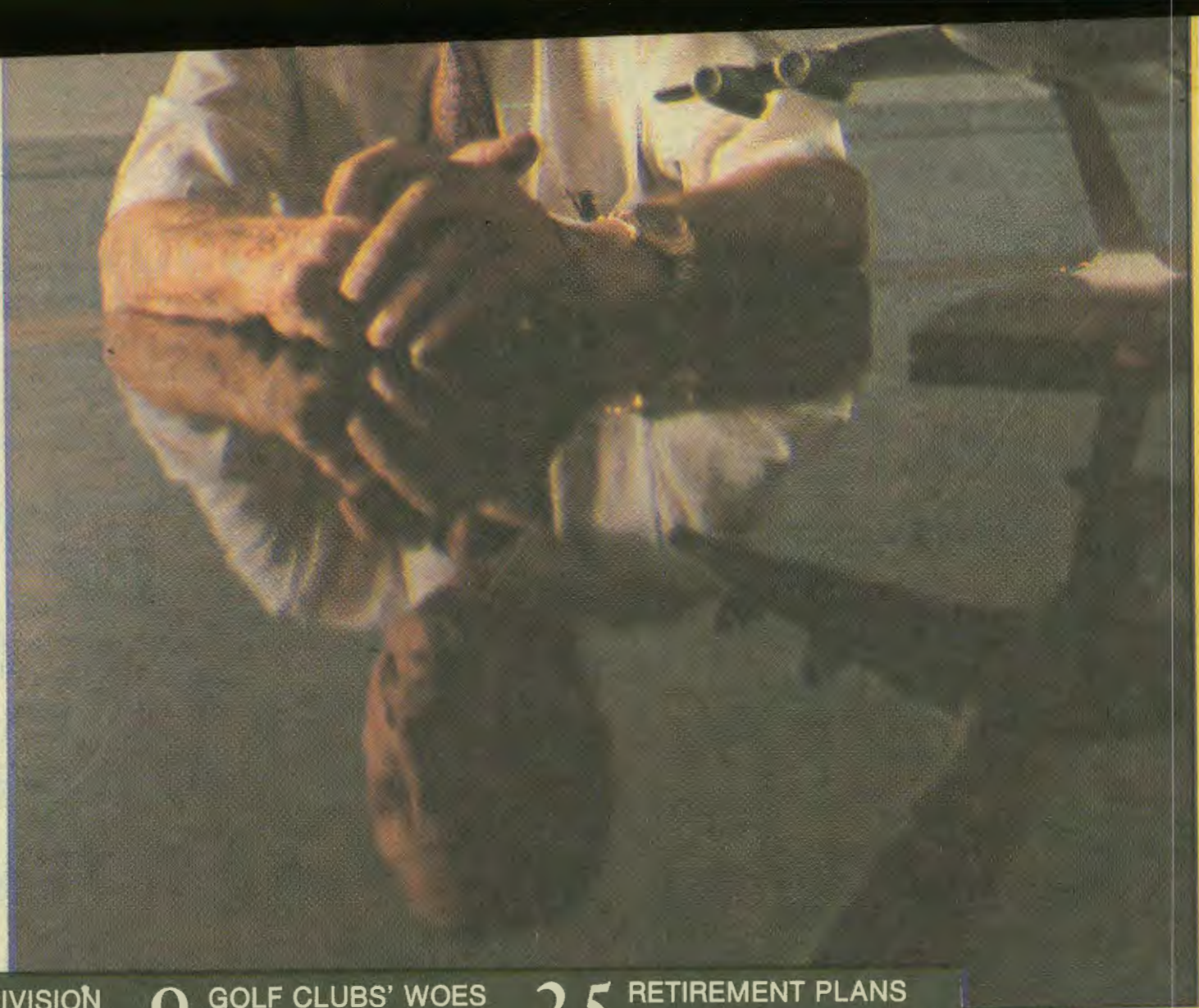
S
till

flying high



At 71, aviation pioneer
George Batchelor isn't
ready to descend. He
runs one of Miami's most
successful businesses,
pilots a jet, races cars,
water-skis, and is soon
to take a bride age 29.

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COULD FACE HURDLES

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REWARD EARLY BIRDS

Those families, which had lived on a little piece of land, who had lived and died on 40 acres, had eaten or starved on the produce of 40 acres, had now the whole West to rove in. And they scampered about, looking for work.

John Steinbeck,
The Grapes of Wrath

By **TED REED**
Herald Business Writer

S'd amn right I'm an Okie," says George Batchelor, World War II flyboy, wizard aviation entrepreneur, multimillionaire and Miami philanthropist.

At age 71, Batchelor sports a pigtail,

runs his business out of a ramshackle Hialeah headquarters, drives a Rolls-Royce, pilots his own Lear jet, hits the accelerator on race cars, water-skis, and is soon to take a bride, age 29.

He is the force behind International Air Leases Inc., an outfit with 102 airplanes. And it is South Florida's premiere buyer, seller and lessor of com-

Aviation giant George Batchelor, 71 and a millionaire several times over, once thought about retiring. He even bought a boat. But he couldn't get away.

Still flying high



if they could buy a couple of war surplus DC-3s, which the military were selling off for \$3,000 each, and then get a contract to carry cargo from California to the East, they could make a small fortune.

"But once the postwar boom disappeared, 90 percent of them were broke."

First office a shack

Not Batchelor. In 1947, Batchelor started his first company, Arrow Air, at the Lomita flight strip, now called Compton Airport. His first office there was a shack made of two big engine boxes. He used electricity from a hookup to the wires in the next-door office. Within six months, he moved to Burbank.

"One of George's first planes was a surplus DC-3 that he acquired in Honolulu and ferried solo to Los Angeles," recalls Richard Neumann, a California entrepreneur. "It was no mean feat, making an 18-hour flight with favorable winds across 2,500 miles of open sea in a twin-engine transport aircraft, using dead-reckoning navigation without help."

Says Batchelor: "I remember that flight, 18 hours and 35 minutes. I didn't have the money for a copilot or a navigator, and I thought it would never end. I would never do it again and I wouldn't advise anyone else to do it either. It wasn't very smart."

Among his first contracts was one to fly minor-league hockey teams up a

mercial aircraft now, and for the last three decades.

But not for a minute does Batchelor forget where he is coming from: Shawnee, Okla., a child of the Dust Bowl calamities of the 1930s, a survivor of the great exodus of Oklahomans to California's Central Valley, memorialized in John Steinbeck's *The Grapes of Wrath*.

"We didn't consider ourselves to be poor, but by today's standards we were," says Batchelor. "We didn't have electricity or a refrigerator or a radio or a telephone. And there certainly wasn't enough money or food to feed an extra mouth."

Indian heritage

Even today, Batchelor looks the part of the Okie — high cheek bones, light beard, all reflecting the heritage of Cherokee country. His great-grandmother was a full-blooded Indian.

As a kid, Batchelor says, he hitchhiked and rode trains to get to California, and for a while, worked the valley fields before he returned to Oklahoma to finish high school.

Then he went back to the West Coast, working odd jobs between Los Angeles and Seattle — in a fuel station, in a print shop.

In 1939, he got into the aviation business, after a fashion: sheet metal mechanic for North American Aviation. It was manufacturing military planes in Englewood in southwest Los Angeles County. He found a use for his paycheck: junior colleges in Compton and Selma, just outside Fresno.

Three months after Pearl Harbor, Batchelor quit college to become a pilot in the Army Air Corps. During Gen. Patton's drives to free France and

HUMBLE BEGINNINGS: In 1947, engine boxes formed the walls of Batchelor's Compton, Calif., leasing office.

Germany, Batchelor flew behind enemy lines, delivering fuel and evacuating soldiers.

He left the military in 1947, figuring he was destined to be an airline pilot. For a few months, he flew for National Airlines — \$280 a month. It wasn't enough.

Like many wartime flyboys, Batchelor quickly saw the opportunity in the

surplus of wartime aircraft that suddenly became available at rock-bottom prices.

"After the war, there were hundreds of ex-pilots who wanted to keep flying, and they all seemed to converge on Burbank," says Ronald E.G. Davies, curator of air transport for the National Air and Space Museum in Washington, D.C. "They realized that

like the rest of his contemporaries, ran afoul of the Civil Aeronautics Board. In those days, the CAB closely allied itself with an airline industry that had little interest in making room for the dozens of small "supplemental" carriers.

Batchelor says the non-skeds weren't supposed to compete.

"We were flying too frequently and regularly according to their definition," he says.

"They kept changing the ground rules and the definition. The industry then was a closed club. There were seven major airlines. There had been no new entries in 20 years, and a lot of ex-CAB members became airline presidents and executives."

So in 1953, Batchelor shut down Arrow Air to concentrate on the aircraft maintenance business and the leasing business. He pioneered the concept of leasing used aircraft.

A move to Miami

Batchelor moved to Miami in 1964 because of his son's health problems and a need for cleaner air.

Here he put in legendary 12-hour workdays and accumulated his fortune, valued somewhere in excess of \$50 million.

"He's one of the toughest negotiators I've ever sat across the table from," says one businessman who knows. "Sometimes he squeezed nickel so hard that the Indian leapt and the buffalo roared. His idea of routine week for his employees is 6 days. Still, when he makes a deal, he's known for keeping his word."

Batchelor laughs at the descriptive



THE YOUNG BATCHELOR: The former World War II pilot started his business with surplus military planes purchased after the war.



Pioneer's breadth of experience serves him well at bargaining table

By **TED REED**
Herald Business Writer

George Batchelor can be a tough guy to do business with. After 45 years in the aircraft leasing business, he knows more about it than anybody else, and he uses that knowledge to make smart deals. He is also a stickler for detail, and he generally insists that people do everything they promise to do.

Batchelor recalls that he once leased a couple of planes to Nicaraguan dictator Anastasio Somoza for his Lanica Airlines, but the planes were confiscated when the Sandinistas took over in Nicaragua in 1979.

When Batchelor got the planes back, there was heavy damage, unpaid leases and missing parts. He went to court and got a \$2 million judgment, but Lanica quickly filed for bankruptcy, only to emerge as a similar airline with a new name: Aeronica. Then Batchelor persuaded U.S. officials to bar both airlines from flying to the United States. The ban lasted until Violetta Chamorro took over as Nicaragua's president in 1990.

A revealing story

Challenge Airlines President Bill

ness, and he is usually more knowledgeable about leasing aircraft than the person he is dealing with. And that intimidates people."

Such techniques have made Batchelor one of Miami's most successful businessmen.

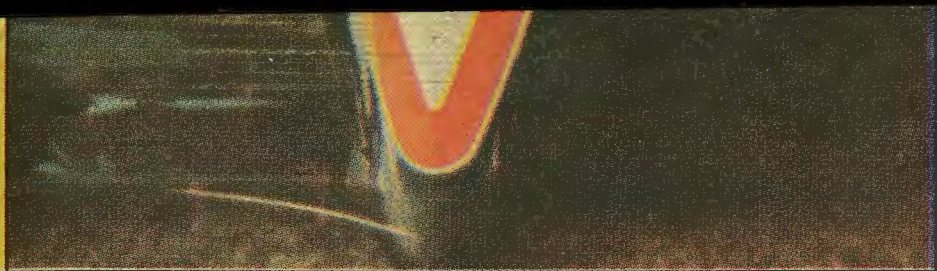
Today, his firm, International Air Leases Inc., employs about 130 people, including 120 in Miami. Its revenues in the year ended Jan. 31 were \$200 million, up from \$193 million the previous year.

IAL's main subsidiary is Arrow Air, now the largest airline based in Florida. Arrow has 11 DC-8 cargo planes and 265 employees, mostly in Miami. The airline is principally a cargo carrier, with an emphasis on Latin America and hubs in Miami; New York; Columbus, Ohio; and San Juan, Puerto Rico. It also provides passenger planes for small airlines such as the Polish carrier LOT.

Arrow had revenues of \$80 million in the year ended Jan. 31, down from \$95 million the previous year, when military billings were high.

Cornering the market

George Dutton, a Miami aircraft broker who has spent 40 years in the business, said a favorite Batchelor



IN THE FAST LANE: Batchelor is equally at home behind the wheel of a fast car: "Driving a race car is like flying a plane, and it's competitive."

But he says, "I never work an employee as hard as I work myself."

And, he adds, "I have a policy that a deal has to be fair to both sides. If we know a customer will lose money, we won't do the deal, because then you lose a customer and you lose money to boot."

Still, there is no denying that his life has posed an inordinate share of hardships and difficulties, both business-related and personal.

His son, Falcon, died of cystic fibrosis in 1990 at age 35. That same year, his 27-year-marriage broke up, and he paid his ex-wife, Betti, a \$17.5 million settlement.

At the time, court documents put Batchelor's worth "well in excess of \$50 million," but perhaps more than \$100 million — with the exact amount subject to "dramatic swings" in the economy.

Generous donations

His gifts to charity over the years may well exceed \$10 million, friends

say.

Among them was \$2 million to create an endowment fund for the University of Miami's pediatrics department and cystic fibrosis center.

"George is a very aggressive businessman — I've had a few glimpses of that — but on the other hand, he is a man of unbelievable generosity, with charitable achievements that have been virtually anonymous for years," says Dr. Robert McKey, director of the center and a professor in the UM pediatrics department.

"He once told me he thought the places to put his money were ones for children's welfare and the environment, and everything else came after that."

Batchelor gave \$320,000 to development of a microbiology laboratory at Doctors Hospital, and underwrote establishment of the Batchelor Village rehabilitation center at Baptist Hospital.

PLEASE SEE BATCHELOR, 22

Spohrer, a longtime friend of Batchelor's, said the Nicaragua story reveals plenty about the way Batchelor does business.

"George is a great one for legal procedure," Spohrer said. "He writes everything into his contracts, and woe be to the guy who doesn't read the contract or thinks he can get out of it. He's going to find himself up against the wall because George goes by the book.

"Besides that, George has a head start in almost any deal he does," Spohrer said. "He is the smartest person I've ever met in the airline busi-

ness," said a former Batchelor strategy has been to corner the market on out-of-favor aircraft.

"George bought DC-7s in the mid-1960s when nobody wanted them because of engine problems," recalled Dutton, an occasional business partner of Batchelor's. "What he did was very inventive. He guaranteed engine time on those planes, so if anything blew up, he gave you another engine. Then he went out and bought every DC-7 engine in the world. He bought hundreds of them."

Batchelor, who bought 40 to 50

PLEASE SEE ARROW, 22



CARGO CARRIER: Arrow Air once shuttled hockey teams to games on the West Coast. Today, it ferries cargo to Latin America from its Miami base.

Batchelor's strategy: cornering the market

ARROW, FROM 21

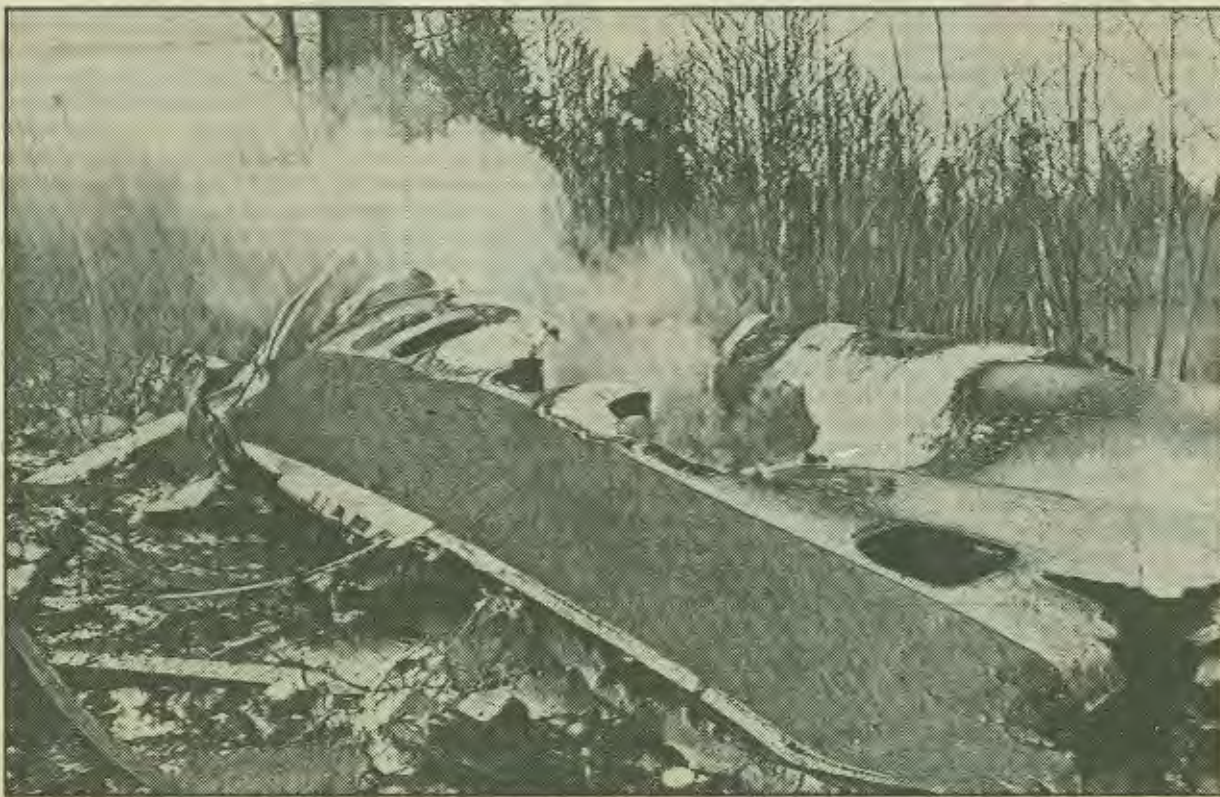
DC-7s, said the venture made money largely because the Vietnam War created demand for the planes.

Later, Batchelor repeated the strategy with the British Aerospace CL-44 and the Lockheed Hercules C-130 — both large, odd-shaped planes that can accommodate awkward cargo such as drill pipes for oil wells — and with several DC-8 models. Batchelor bought 10 DC-8s for several hundred thousand dollars, and later sold them for \$4 million to \$8 million each, Dutton said.

Convair 880

In still another venture in the mid-1970s, Batchelor cornered the market on the Convair 880, buying 16 of the planes, all the engines and all the spare parts. When GE halted production of the plane, Swissair was still using it and was forced to purchase most of its parts from Batchelor.

"He is the entrepreneur of the used aircraft business," Dutton said. "He has made a market in many different types of aircraft that other people were either afraid of or didn't want to delve into."



Herald File photo

UNSOLVED MYSTERY: The cause of the 1985 Arrow Air crash in Newfoundland that killed 256 U.S. soldiers was never found, but the blow to its reputation forced the airline into bankruptcy court.

tion Board decades earlier, to regain their operating certificates.

had fined Arrow \$34,000 in 1984 for violations that included sloppy record keeping and

concluded that a fire broke out on board, "possibly due to a detonation in the cargo compart-

charges made on the heels of the accident, and it hurt him very deeply."

Batchelor said he still doesn't know the reason it happened. It is possible, he said, that explosives may have been on the plane, either because "young soldiers often carry explosives on planes" or because of terrorist activity.

Or because of yet another possible reason: "The military put some boxes on the plane that it wouldn't let anybody handle. Nobody knows what was in them," he said.

Information blacked out

Batchelor said he obtained government documents dealing with the crash under the Freedom of Information Act, but most of the information on the documents was blacked out for security reasons.

In any case, the adverse publicity scared off enough potential Arrow passengers that in 1986 the airline filed for bankruptcy protection. When Arrow emerged from bankruptcy in 1987, it had dropped its passenger service and carried cargo only.

Still another Batchelor com-

A position of strength, Batchelor has generally been able to get his way in business.

His business began in Miami in 1964 and initially concentrated on IAL.

Arrow back in the air

But in 1981, Batchelor restarted Arrow after the Airline Deregulation Act of 1978 enabled several carriers, forced out of business by the Civil Avia-

maker, carried both passengers and cargo. But it fell on hard times after an Arrow Air DC-8 military charter caught fire and crashed 15 seconds after takeoff from Newfoundland in 1985, killing 256 U.S. soldiers on the way home from a peace-keeping mission in the Middle East.

Initially, there was speculation that faulty maintenance contributed to the crash. It was later revealed that federal regulators

Most of the charges were later dropped, resulting in a reduction of the fine to about \$13,000. Batchelor said.

Ice on the wing?

Later, the Canadian government concluded that ice on the plane's wing caused the trouble. Or, at least, that was the view of five board members. Four other board members found no evidence of ice contamination and

But a second report discredited the first one, saying the true cause was a mystery never likely to be unraveled.

Robin Matell, who was Arrow Air's spokesman at the time, said Batchelor was distressed about the crash.

"He was absolutely overwhelmed by the magnitude of the disaster," Matell said. "Then there were some irresponsible

1974 and changed its name to Batch Air. By 1986, it employed 750 people and was worth \$35 million. Batchelor decided then that he wanted to semi-retire, and gradually he turned the company over to its employees in an employee stock-ownership plan.

Under the ESOP legislation, Batchelor was able to take \$20 million out of the company and defer taxes on the amount.

At 71, Batchelor 'going on 16'

BATCHELOR, FROM 21

Chesterfield Smith, a past president of the American Bar Association, says Batchelor "does more in the way of really substantial contributions to multiple needs around our community than anybody else I know."

Batchelor gave a \$1 million endowment to St. Thomas University Law School in 1986. Jacqueline Allee, dean of the law school, says he took a chance. The school had not yet been accredited.

One of Batchelor's closest friends is David LaCroix, a 31-year-old Fort Lauderdale aircraft dealer. The two men met at the race track, where both drove the same kind of car, a Formula Super Vee, good for about 165 miles an hour.

Their friendship extends to other break-neck endeavors, long-abandoned by most septuagenarians: skiing at Aspen,

water-skiing and flying planes.

"He is a person of tremendous vitality, willing to try anything," La Croix says. "He's not a reckless type, but he's fearless in everything he does. Sometimes I think he's going on 16."

In 1988, Batchelor thought seriously about retiring, or semi-retiring.

"I bought a big boat and started liquidating," he says. "I was going to take a year off and cruise down through the Caribbean. I intended to take it down through the islands all the way to South America, spending time on the boat and flying back to the office two or three times a month. I spent two years getting a boat, equipping it, finding a captain and planning the trip, even down to making sure the places I would leave the boat had airports nearby.

"But just when I did all this, everything started going sour.

Eastern went bankrupt. Pan Am went bankrupt. Then Continental, Midway, America West, TWA and Braniff again. It was like a row of dominoes, and I had planes with every single one of them."

The ice cream, in effect, hit the fan.

"We had to get the planes back, rework them, spend money getting them ready and then lease them out for half as much money. I still have two planes tied up with Eastern that I can't get clear title to. And I can't leave because when an airline's in bankruptcy, the banks want to see you there, supervising. It's hard to get someone else to do this type of thing."

These days George Batchelor, an Okie wonder, is making new plans. He is to wed Marianne Tirri, daughter of an aviation entrepreneur in Puerto Rico, at Vizcaya Sunday. Their honeymoon: a photo safari to Africa.



Herald File / 1981

IN LATER YEARS: Batchelor at Miami International Airport.